DOCUMENT RESUME

ED 400 070 PS 024 578

TITLE	School Lunch Program: Role and Impacts of Private Food Service Companies. United States General Accounting Office Report to Congressional Committees.
INSTITUTION	General Accounting Office, Washington, DC. Resources, Community, and Economic Development Div.
REPORT NO	B-272507; GAO/RCED-96-217
PUB DATE	Aug 96
NOTE	63p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015; 202-512-6000; fax: 301-258-4066; or TDD 301-413-0006 (first copy is free; additional copies, $2 each; 100 or more copies mailed to single address are discounted 25%).
PUB TYPE	Reports - Evaluative/Feasibility (142) -- Statistical Data (110)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	Children; *Contracts; Dining Facilities; Elementary Secondary Education; Federal Aid; Federal Legislation; *Federal Programs; Federal Regulation; *Food Service; Food Standards; *Lunch Programs; Nutrition; Nutrition Instruction; Private Sector; *Privatization; Vending Machines
IDENTIFIERS	Brand Names; Department of Agriculture; *Fast Foods; Healthy Meals for Healthy Americans Act 1994; *School Lunch Program

ABSTRACT

In the Healthy Meals for Healthy Americans Act of 1994, Congress directed the Government Accounting Office (GAO) to examine the use of private food establishments and caterers by schools participating in federal programs for school meals. In conducting its review, the GAO relied primarily on questionnaires returned by food authorities that had contracts with food service companies during the 1994-95 school year. Specific areas addressed included: (1) the extent to which schools use private companies to operate their lunch program and the impacts that the use of these companies has on the National School Lunch Program; (2) terms and conditions in contracts between schools and food service companies; and (3) extent to which fast foods and vending machines are available in schools and the types, brands, and nutritional content of the fast foods offered. This report details the GAO's findings. Chapter 1 of the report provides an introduction to the National School Lunch program, food service management companies, and "fast foods." Chapter 2 addresses the finding that the use of food service companies to manage school food services is increasing. Chapter 3 addresses the finding that food service contracts vary in content and in compliance with selected federal requirements. Chapter 4 addresses the finding that the percentage of schools offering brand-name fast foods has increased. Four appendices include the survey methodology, federal lunch pattern requirements, nutritional content of four brand-name fast food items, and major contributors to the report. Twenty-eight tables and figures augment the research findings. (SD)

GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-272507

August 26, 1996

Congressional Committees

In the Healthy Meals for Healthy Americans Act of 1994 (P.L. 103-448), the Congress mandated that we review the use of private food establishments and caterers by schools participating in federal programs for school meals. As agreed with your offices, this report examines the (1) extent to which schools use private companies to operate their lunch program and the impacts that the use of these companies has on the National School Lunch Program; (2) terms and conditions in contracts between schools and food service companies; and (3) extent to which fast foods and vending machines are available in schools participating in the program and the types, brands, and nutritional content of the fast foods most commonly offered.

We are sending copies of this report to interested congressional committees; the Secretary of Agriculture; the Director, Office of Management and Budget; and other interested parties. We will make copies available to others upon request.

Please contact me at (202) 512-5138 if you or your staff have any questions. Major contributors to this report are listed in appendix IV.

Robert A. Robinson
Director, Food and
Agriculture Issues

Congressional Committees

The Honorable Richard G. Lugar
Chairman
The Honorable Patrick J. Leahy
Ranking Minority Member
Committee on Agriculture, Nutrition,
and Forestry
United States Senate

The Honorable Pat Roberts
Chairman
The Honorable E (Kika) de la Garza
Ranking Minority Member
Committee on Agriculture
House of Representatives

The Honorable William F. Goodling
Chairman
The Honorable William (Bill) Clay
Ranking Minority Member
Committee on Economic and
Educational Opportunities
House of Representatives

Executive Summary

Purpose

Under the multibillion-dollar National School Lunch Program, local school districts receive federal funds for lunches that meet the program's requirements for a nutritious, well-balanced meal. Although these school districts, through their school food authorities, have traditionally operated their own school meals program, a number have contracted with private food service management companies to plan, prepare, and serve school meals. In addition, some schools have purchased brand-name fast foods to serve as part of their school meals or as a la carte items.

In the Healthy Meals for Healthy Americans Act of 1994 (P.L. 103-448), the Congress directed GAO to study the use of private food establishments and caterers by schools participating in the federal programs for school meals. As agreed with the cognizant congressional committees, GAO (1) determined the extent to which food authorities use food service companies to operate their school lunch program and the impacts that the use of food service companies has had on various aspects of the National School Lunch Program; (2) described the terms and conditions in the contracts between food authorities and food service companies; and (3) determined the extent to which fast foods and snack foods in vending machines are available in schools participating in the program and described the types, brands, and nutritional content of the fast foods most commonly offered.

In conducting this review, GAO relied primarily on information contained in (1) 1,175 questionnaires that were returned to GAO by food authorities that had contracts with food service companies in school year 1994-95, (2) 765 questionnaires returned by a national random sample of food authorities that did not use food service companies in that same year, and (3) 1,887 questionnaires returned by a national random sample of public school cafeteria managers. GAO also analyzed a random sample of 68 contracts.

Results in Brief

About 8 percent of the food authorities nationwide that participated in the lunch program in school year 1994-95 used food service management companies. This percentage is up from about 4 percent in school year 1987-88, the last year that comparable data were available. Most of the food authorities using food service companies reported that they turned to the companies for financial reasons, such as their belief that using a private company would reduce budget deficits and increase revenues. Compared with those food authorities that did not use food service companies, food authorities using food service companies had about the same situation regarding reported budget deficits but lower levels of

students' participation in the lunch program. According to food authorities' responses, most food service workers remained employed either with the school district or the food service company as the result of contracting with a food service company.

Food authorities' contracts with food service companies vary in content and compliance with the federal requirements governing these contracts. Contracts vary by the services provided by the food service company, such as by the types of meals and nutrition education provided, and by the associated fees for those services. In addition, about one-half to two-thirds of the contracts did not contain all the standard contractual provisions necessary to ensure compliance with federal requirements. For example, the provisions most often omitted were those intended to ensure that the food authorities maintain control of the school meals programs. GAO is concerned that the failure to include some of these provisions in the contracts may diminish compliance.

The results of GAO's survey of cafeteria managers indicates that an estimated 13 percent of the public schools participating in the lunch program offer brand-name fast foods. The most popular types of foods were pizzas, burritos, and subs and other sandwiches. These foods can be incorporated into a school lunch that meets federal requirements. In an estimated 20 percent of the schools, students had access to snack foods and drinks from vending machines during lunch.

Background

In fiscal year 1995, the U.S. Department of Agriculture (USDA) spent about $5.2 billion to provide the nation's school-age children with nutritious foods and promote healthy eating choices through its lunch program. State agencies, usually departments of education, are responsible for the statewide administration of the program, including disbursing federal funds, monitoring the program, and record keeping. Many of these responsibilities are carried out in cooperation with food authorities. Food authorities are responsible for managing school food services for one or more schools or for a school district.

Schools participating in the lunch program receive cash reimbursements and commodities for each meal served. In turn, they must serve lunches that meet federal nutritional requirements and offer these lunches free or at a reduced price to children from families whose income falls below certain specified levels.

USDA's regulations stipulate that if a food authority contracts with a food service company, the food authority must remain responsible for the overall operation of its food service to ensure that the program is administered in an accountable manner and that all of the program's regulations are met. This responsibility requires the food authority to maintain direct involvement in the food service operation, such as monitoring the food service company's operation through periodic on-site visits.

Principal Findings

Use of Food Service Companies to Manage School Food Services Is Increasing

From school year 1987-88 through school year 1994-95, the number of food authorities participating in the lunch program and contracting with food service companies to operate their schools' food services increased from 4 to 8 percent. These food authorities tend to be larger, on average, in terms of the number of schools for which they are responsible and the number of students enrolled than food authorities that do not use these companies.

Most food authorities using one of these food service companies reported financial considerations, such as their belief that using a company would reduce budget deficits and food service costs as reasons for their decision. For example, 61 percent reported that before using a food service company, their food service operated at a deficit. The food authorities using these companies reported financial improvements, including lower costs for food, payroll, employee benefits, and administration. However, 19 percent of the food authorities reported that they were operating at a deficit after contracting with a food service company, about the same percentage reported by food authorities not using these companies in school year 1995-96. In addition, the food authorities with food service contracts reported increased student participation in the lunch program; however, participation is still below the level for food authorities that did not use these companies—49 percent compared with an estimated 65 to 68 percent.

After contracting with a food service company, food authorities reported varied impacts on food service workers. Forty-three percent reported that most or all of their workers were retained as employees of the school district. However, 32 percent reported that most or all of their workers lost their jobs with the school district but were rehired by the private

company. Most food authorities using these companies reported reductions in personnel-related food service costs.

Food Service Contracts Vary in Content and in Compliance With Selected Federal Requirements

While almost all food authorities' contracts with food service companies state that the company prepares and serves meals, the contracts vary by the types of meals provided, such as breakfast and/or lunch. Moreover, some of the related meal services were assigned to the food authority or shared by both the company and the food authority. For example, most of the contracts assigned the (1) purchasing of food to the company, (2) repair and maintenance of equipment to the food authority, and (3) menu planning jointly to the food authority and the company. In addition, some of the contracts state that the existing food service staff will be retained; most contracts do not mention the retention of existing school staff at all.

Most food service contracts specify a cost-plus-a-fixed-fee payment structure, but fees and other financial provisions vary. For example, fees are for administrative costs, management costs, or both and are calculated on an annual basis, per-meal basis, or both. Many of the contracts stipulate only an annual fee, about half stipulate only a per-meal fee, and some stipulate both types of fees. Food service contracts vary in their treatment of rebates and discounts received by the food service company when it purchases food for the food authorities. Many contracts do not address rebates and discounts, and some allowed the company to keep portions of these discounts.

USDA's guidance for food service contracts specifies a number of provisions that must appear in the contracts to ensure that federal requirements are met. State agencies, according to USDA's guidance, are responsible for reviewing the contracts to ensure that they contain all of the required federal provisions. The provisions that GAO selected for review address financial controls, USDA-donated foods, monitoring and evaluation, and the contracts' duration and renewal. GAO found that about one-half to two-thirds of the food service contracts do not contain provisions for all eight federal requirements reviewed. Moreover, the provisions most often omitted from the contracts were those intended to ensure that the food authority maintains control of the school meals programs. The failure to include some of the required provisions in the contracts may create uncertainty about the food service company's responsibilities and diminish the food authority's ability to ensure that the food service company complies with the lunch program's requirements.

Percentage of Schools Offering Brand-Name Fast Foods Has Increased

The percentage of public schools participating in the lunch program that offered brand-name fast foods increased dramatically from about 2 to 13 percent from school year 1990-91 through school year 1995-96. Among other characteristics, schools that offered brand-name fast foods were more likely to be located in the suburbs, have larger student populations, and use a food service company. These schools also offered one or two brand-name fast-food items twice a week, on average.

Most schools reported benefits from using brand-name fast foods. Seventy-five percent of the cafeteria managers reported that a desire to increase student participation in the lunch program was one of the reasons their schools decided to offer brand-name fast foods. Consistent with this desire, the most frequently cited benefit was an increase in both school lunch and a la carte sales. Cafeteria managers at schools that were not using brand-name fast foods reported most frequently that they believe the food currently being served by their school was more nutritious.

Federal reimbursements are not provided to schools for brand-name fast-food items served a la carte because, by themselves, they do not meet USDA's nutritional standards. However, meals that include brand-name fast foods and other foods prescribed by the lunch program can be eligible for federal reimbursement. GAO's analysis of available ingredient information for four fast foods—Pizza Hut's pepperoni pizza, Domino's pepperoni pizza, Taco Bell's bean burrito, and Subway's Club sandwich—and the lunch program's requirements show that these items can be incorporated into a reimbursable lunch.

During lunch, students had access to snack foods and/or drinks in most of the schools. Two-thirds of the schools provided items such as juices, baked goods, and ice cream through a school canteen or a la carte sales during the lunch period. About one in five of the schools made such items available in vending machines.

Recommendation

To achieve improved compliance with USDA's guidance, GAO recommends that the Secretary of Agriculture direct the Administrator, Food and Consumer Service, to work with appropriate state officials to ensure that food service management companies' contracts contain the provisions required by USDA's guidance on contracting with food service management companies.

Agency Comments

GAO provided copies of a draft of this report to the Department's Food and Consumer Service for its review and comment. GAO met with agency officials including the Director of the Grants Management Division. USDA concurred with GAO's recommendation and plans to take action. Planned actions include (1) sending a letter to appropriate state agencies reiterating the importance of including required provisions in food service management contracts and (2) making USDA's guidance for these contracts more readily available by placing it on the agency's automated information system and the Internet. In addition, agency officials provided GAO with some technical comments that were incorporated into the report as appropriate.

Contents

Executive Summary		3
Chapter 1 Introduction		14
	National School Lunch Program	14
	Food Service Management Companies	16
	Brand-Name Fast Foods	16
	Objectives, Scope, and Methodology	17
Chapter 2 Small but Increasing Percentage of Food Authorities Are Using Food Service Management Companies		20
	The Number of Food Authorities Using FSMCs Has Increased and Is Concentrated in Certain Areas and Types of Food Authorities	20
	Food Authorities Turned to FSMCs Primarily for Financial Reasons	24
	Food Authorities Report Benefits From Contracting With FSMCs	27
Chapter 3 FSMCs' Contracts Vary in Content and in Compliance With Selected Federal Requirements		32
	Food Authorities Contract for a Variety of Services	32
	A Vast Majority of Contracts Specify a Cost-Plus-a-Fixed-Fee Payment Structure, but Other Financial Provisions Vary	35
	Many FSMC Contracts Do Not Contain All Eight Required Contractual Provisions That We Reviewed	38
	Conclusions	42
	Recommendation to the Secretary of Agriculture	43
	Agency Comments	43
Chapter 4 The Percentage of Schools Offering Brand-Name Fast Foods Has Increased		44
	The Percentage of Schools Offering Brand-Name Fast Foods Increased, Although Use Remains Limited	44
	Most Cafeteria Managers Report That Their School Benefited From Using Brand-Name Fast Foods	47
	Brand-Name Fast Foods Can Be Included as Part of a Federally Reimbursable Lunch	51
	Most Schools Allow Students Access to Snack Foods During Lunch	54

Appendixes

Appendix I: Survey Methodology 56
Appendix II: Federal Lunch Pattern Requirements 60
Appendix III: Nutritional Content of Four Brand-Name Fast Food Items Per Serving, School Year 1995-96 61
Appendix IV: Major Contributors to This Report 62

Tables

Table 2.1: States With Highest Percentage of Nationwide FSMC Use, School Year 1994-95 22
Table 2.2: Percentage of Food Authorities Citing Reasons for Considering the Use of FSMCs 26
Table 3.1: Types of Meals Specified in FSMCs' Contracts 33
Table 3.2: Percentage of Contracts Assigning Responsibility for Multiple Related Meal Services to FSMCs 33
Table 3.3: Percentage of FSMCs' Contracts Assigning Responsibility for Various Meal-Related Services 34
Table 3.4: Percentage of FSMCs' Contracts Addressing Retention of Existing School Staff 35
Table 3.5: Most Common Fixed Fees in Cost-Plus-a-Fixed-Fee Payment Structures 36
Table 3.6: Treatment of Rebates and Discounts in Contracts 37
Table 3.7: Percentage of FSMCs' Contracts That Do Not Contain One, Two, Three, or More of the Required Provisions 39
Table 3.8: Percentage of FSMCs' Contracts That Do Not Contain Selected Required Financial Control Provisions 39
Table 3.9: Percentage of FSMCs' Contracts That Do Not Contain Selected Required USDA-Donated Foods Provisions 40
Table 3.10: Percentage of FSMCs' Contracts That Do Not Contain Selected Required Monitoring and Evaluation Provisions 41
Table 4.1: Pizza Hut's Pepperoni Pizza Ingredients and Contribution to the Lunch Program's Requirements 52
Table 4.2: Domino's Pepperoni Pizza Ingredients and Contribution to the Lunch Program's Requirements 53
Table 4.3: Taco Bell's Bean Burrito Ingredients and Contribution to the Lunch Program's Requirements 53
Table 4.4: Subway's Club Sandwich Ingredients and Contribution to the Lunch Program's Requirements 54
Table 4.5: Percentage of Cafeteria Managers Reporting Availability of Snack Foods in Vending Machines and School Canteens During Lunch 55

Figures

Figure 2.1: Locations of Food Authorities Using FSMCs, School Year 1994-95 21
Figure 2.2: Number of Years That Food Authorities Reported Using FSMCs 23
Figure 2.3: Percentage of Food Authorities That Reported Using National, Regional, or Local FSMCs 24
Figure 2.4: Percentage of Food Authorities Citing Reasons for Using FSMCs 25
Figure 2.5: Percentage of Food Authorities Citing Reasons for Not Using FSMCs 27
Figure 2.6: Percentage of Food Authorities With Different Budget Conditions 29
Figure 2.7: Percentage of Food Authorities Reporting Changes in Food Service Component Costs After Using FSMCs 30
Figure 4.1: Schools' Use of Brand-Name Fast Foods, School Years 1990-91 Through 1995-96 45
Figure 4.2: Reasons for Using Brand-Name Fast Foods Cited by Cafeteria Managers in Schools Currently Using Them 48
Figure 4.3: Effects of Using Brand-Name Fast Foods Cited by Cafeteria Managers 50
Figure 4.4: Reasons for Not Using Brand-Name Fast Foods Cited by Cafeteria Managers Not Using and Not Planning to Use Them 51

Abbreviations

FSMC	food service management company
GAO	General Accounting Office
USDA	U.S. Department of Agriculture

Chapter 1

Introduction

In fiscal year 1995, the U.S. Department of Agriculture (USDA) spent about $5.2 billion to provide the nation's school-age children with nutritious foods and promote healthy eating choices through its National School Lunch Program.[1] State agencies, usually departments of education, are responsible for the statewide administration of the lunch program through the disbursing of federal funds, monitoring of the program, and record keeping. Many of these responsibilities are carried out in cooperation with local school food authorities. Food authorities are responsible for managing school food services for one or more schools or for a school district.

Schools have traditionally operated their own food services. However, some important changes in the way they provide meals have taken place since the 1980s. Some food authorities have contracted with private food service management companies (FSMC) to operate their school food services. In addition, some schools are offering brand-name fast foods as a part of the lunch program meal or as separate (a la carte) items.

National School Lunch Program

According to USDA, on a typical school day in fiscal year 1996, the lunch program provided about 26 million students with balanced and low-cost or free lunches nationwide. Of these students, about 25 million, or about 96 percent, attended public schools, and about 967,000, or about 4 percent, attended private schools. Within a school district, schools can choose to participate or not participate in the program. During fiscal year 1995, about 94,000 institutions, including about 89,000 schools and about 5,000 residential child care institutions participated in the lunch program, according to USDA.[2] State education agencies usually administer the program through agreements with food authorities. The federal cost to support school lunches in fiscal year 1995 was about $5.2 billion, including about $613 million in federal commodity donations, such as beef patties, flour, and canned vegetables. The lunch program operates in all 50 states, the District of Columbia, and U.S. territories and possessions.

Schools participating in the lunch program receive cash reimbursements and commodities from the federal government for each meal served. In turn, they must serve lunches that meet federal nutritional requirements and offer these lunches free or at a reduced price to children from families

[1]The program is authorized under the National School Lunch Act (42 U.S.C. 1751 et seq.).

[2]Residential child care institutions include, but are not limited to, homes for the mentally, emotionally, or physically impaired; temporary shelters for abused or runaway children; and juvenile detention centers.

whose income falls below certain levels.[3] For school year 1995-96, schools were reimbursed $1.795 for each free lunch, $1.395 for each reduced-price lunch, and 17.25 cents for each full-pay lunch. In addition, schools received 14.25 cents worth of commodity foods for each lunch served. These lunch program meal reimbursements and donated commodities help to sustain the food services provided by food authorities. However, in some areas, food authorities may incur meal costs that are below or above the lunch program's reimbursements because of food, labor, and other food service-related cost variations, thus creating surpluses or deficits in some food service budgets.[4]

USDA has developed a "lunch pattern" for five different age and grade categories. (See app. II.) This pattern requires that a school lunch contain five food items chosen from the four basic food groups. The size of the portions varies by these categories; nevertheless each lunch, at a minimum, must contain (1) one serving of a meat or a meat alternate, (2) one serving of a bread or bread alternate, (3) one serving of milk, and (4) two servings of vegetables or fruits.[5] Schools must offer all five food items unless, as provided by the lunch program's regulations, they use the "offer versus serve" option. Under this option, a school must offer all five food items, but a student may decline one or two of them. All high schools must use the "offer versus serve" option, and middle and elementary schools may use it at the discretion of local officials. According to a 1993 report prepared for USDA,[6] 71 percent of elementary schools and 90 percent of middle schools used this option.

Participating schools also agree to collect data on the number of meals served and are responsible for other tasks, such as verifying the income of

[3]Children from families with an income at or below 130 percent of the poverty level (currently $20,280 for a family of four in the contiguous 48 states and the District of Columbia) are eligible for free meals. (Special rates apply to Alaska and Hawaii.) Those with an income between 130 percent and 185 percent of the poverty level (currently $28,860 for a family of four) are eligible for reduced-price meals. Children from families with an income over 185 percent of the poverty level pay full price, although their meals are still subsidized to some extent.

[4]See Food Assistance: Information on Meal Costs in the National School Lunch Program (GAO/RCED-94-32BR, Dec. 1, 1993).

[5]School lunches are intended to provide children with enough nutrients to approximate one-third of the essential Recommended Dietary Allowances. The lunch program's regulations, effective for school year 1996-97, require compliance with the Dietary Guidelines for Americans. Among other things, these guidelines, which represent the official nutritional policy of the U.S. government, establish maximum daily amounts of total fat and saturated fat: No more than 30 percent of calories should come from fat, and less than 10 percent should come from saturated fat. (See 7 C.F.R. 210.)

[6]The School Nutrition Dietary Assessment Study: School Food Service, Meals Offered, and Dietary Intakes, Mathematica Policy Research, Inc. (Oct. 1993).

BEST COPY AVAILABLE

families with students to determine whether the students are eligible for free or reduced-price lunches.

According to the American School Food Service Association, school lunch preparation usually occurs at individual or centrally located school kitchens. These facilities are operated by the food authorities or, with their approval, by others, such as FSMCs.

Food Service Management Companies

In 1970, USDA issued regulations permitting food authorities to contract with FSMCs to operate their school food services.[7] Food authorities may contract with FSMCs for many aspects of their school food service. The commercial organizations that typically contract with food authorities to operate food services include large national companies, such as Marriott, Canteen, and ARAMARK; companies operating regionally or at multiple sites in a state; and companies servicing a single school district. The services provided by FSMCs are likely to include some combination of the following management and operational service:

- Food services, including meal planning, food purchasing, storage, preparation, and packaging and serving the food to students.
- Accounting services and the design of financial controls, budgets, and reporting systems, including those required for state and federal reports.
- The design of facilities, maintenance and replacement of equipment, and cleaning services.
- Staffing and personnel management.
- Support activities, such as marketing and promotion of school meals, and nutrition information and education programs.

USDA's regulations stipulate that if a food authority contracts with an FSMC, the food authority must remain responsible for the overall operation of its food service to ensure that the program is administered in an accountable manner and that all of the program's regulations are met. This responsibility requires the food authority to maintain direct involvement in the food service operation, such as monitoring the food service operation through periodic on-site visits.

Brand-Name Fast Foods

While food authorities have traditionally prepared their own foods for school lunches, many have begun to serve brand-name fast foods in recent years. These foods are ready-to-serve—for example, pizzas, burritos, subs,

[7] 7 C.F.R. 210.16.

and sandwiches—and are generally prepared and delivered to schools by fast-food vendors such as Pizza Hut, Domino's Pizza, Taco Bell, and Subway as well as by local vendors. Unlike FSMCs, these vendors usually do not manage schools' food service operations. Instead, they provide schools with a food product at a specified time. For example, a pizza vendor may agree to provide a school with fresh, hot pizza for lunch on every other Wednesday.

Unless a fast-food vendor operates as an FSMC, USDA does not allow these vendors to sell directly to students at school. Instead, these vendors typically sell their food products to a school or its FSMC, which, in turn, sells the products to the students. Schools can offer brand-name fast foods as part of a reimbursable lunch, as an a la carte item, or both.

Objectives, Scope, and Methodology

In the Healthy Meals for Healthy Americans Act of 1994 (P.L. 103-448), the Congress directed us to study the use of private food establishments and caterers by schools participating in the National School Lunch or School Breakfast Programs.[8] In response to this mandate, and as agreed with the offices of the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committees on Agriculture and on Economic and Educational Opportunities, we (1) determined the extent to which food authorities use FSMCs to operate their food services and the impacts that their use has had on various aspects of the lunch program, such as student participation, school food service employment, the generation of revenues through school meal sales, and a la carte sales of food in schools; (2) described the terms and conditions under which schools that participate in the lunch program use FSMCs; and (3) determined the extent to which schools that participate in the lunch program are provided with fast foods and snack foods in vending machines, described the most frequently used types and brands of fast foods commonly offered, and described their nutritional content.

Because our preliminary work demonstrated that developing a nutritional profile of the hundreds of different food products available nationwide to students during school hours would be excessively costly, we discussed this issue with the offices of the cognizant committees. Given the technical complexities of the requirement and the limits on our resources and reporting time frame—our mandate required us to complete our work by September 1, 1996—we agreed with the cognizant committees to limit our

[8]The Congress directed that we and the Office of Technology Assessment jointly conduct this study. However, the Congress did not provide fiscal year 1996 operational funds for the Office of Technology Assessment. The office ceased operations on September 29, 1995.

work on the third objective to (1) presenting nutritional information for a sample of popular brand-name fast food products and (2) describing the types of vending machine foods commonly available in schools participating in the lunch program. As further agreed, we limited our review to the lunch program—the largest of USDA's school meals programs.

To address the first objective, we contacted each of the 50 states and the District of Columbia to obtain their school year 1994-95 lists of all food authorities, both public and private, and all food authorities using an FSMC. We then mailed questionnaires to 1,462 food authorities that states had identified as having contracts with FSMCs during the 1994-95 school year. In the course of our review, we identified 75 food authorities that were residential child care institutions, did not participate in the lunch program, or did not have contracts with FSMCs. We excluded these food authorities from the universe of 1,462 food authorities, thereby developing a universe of 1,387 food authorities. Eighty-five percent (1,175) of the remaining 1,387 food authorities returned a completed questionnaire. Hence, our survey results for this group represent only the 1,175 survey respondents that participated in the lunch program and had FSMC contracts during school year 1994-95.

In addition, we mailed questionnaires to a national random sample of 934 of the food authorities that did not have contracts with FSMCs. Of those, 89 percent (835) of the food authorities returned completed questionnaires. However, 70 of the food authorities reported that they did not participate in the lunch program or did use an FSMC during school year 1994-95. These questionnaires were not included in our analysis. We used the responses from the remaining 765 questionnaires to compare food authorities that had FSMC contracts with those that did not. Our survey results represent the views of about 14,801 food authorities that do not have contracts with FSMCs.

To address the second objective, we reviewed relevant federal regulations and USDA's guidance on contracting with FSMCs and collected and analyzed a random sample of 68 food service contracts to identify the selected terms and conditions of these contracts and reviewed relevant federal studies and evaluations of FSMC contracts. The results of our analyses of the 68 contracts can be generalized to about 1,212 of the food authorities participating in the lunch program that had contracts with FSMCs for their school lunch programs during school year 1994-95.

With respect to the third objective, we mailed questionnaires to a national random sample of 2,450 public school cafeteria managers to obtain information on the extent of their use of brand-name fast foods and the availability of snack foods in vending machines in public schools. The results of this survey are presented in our report entitled School Lunch Program: Cafeteria Managers' Views on Food Wasted by Students (GAO/RCED-96-191, July 18, 1996). Of this sample, 1,887 cafeteria managers who participated in the lunch program returned a questionnaire. We summarized the data that the respondents provided us with to determine the extent to which brand-name fast foods were used in the lunch program and the types of snack foods sold to students a la carte from vending machines or by canteens during lunch. This information represents the views of cafeteria managers in about 80 percent of the public schools that participated in the lunch program nationwide.

Three of our data collection strategies relied on statistical sampling, including the survey of food authorities not contracting with FSMCs, the selection of contracts between food authorities and FSMCs, and the survey of cafeteria managers. As with all sample surveys, our statistical estimates based on these data collection strategies contain sampling error—the potential error that arises from not collecting data from all food authorities—on all contracts or from cafeteria managers at all schools.

We calculated the amount of sampling error for each estimate at the 95-percent confidence level. This means, for example, that if we repeatedly sampled food authorities from the same universe and performed our analysis again, 95 percent of the samples would yield results within the range specified by our survey estimate plus or minus the sampling error. This range is the 95-percent confidence interval.

We conducted our review from June 1995 through July 1996 in accordance with generally accepted government auditing standards.

Small but Increasing Percentage of Food Authorities Are Using Food Service Management Companies

Nationwide, about 8 percent of the food authorities participating in the lunch program used FSMCs in school year 1994-95, according to information from state agencies. This was up from about 4 percent in school year 1987-88, the last year that comparable data were available. Food authorities' use of FSMCs is generally concentrated in the Northeast and the Midwest. In addition, food authorities using FSMCs had a larger number of schools and students than food authorities not using FSMCs. The food companies serving these food authorities were most often companies that operate nationwide.

Most food authorities reported that they had decided to use FSMCs for financial reasons, such as reducing food service costs and reducing budget deficits. Furthermore, food authorities considering the use of FSMCs reported that budget deficits were one reason for examining such a change. In contrast, food authorities that were not using FSMCs cited their own financial stability as a reason they do not use FSMCs.

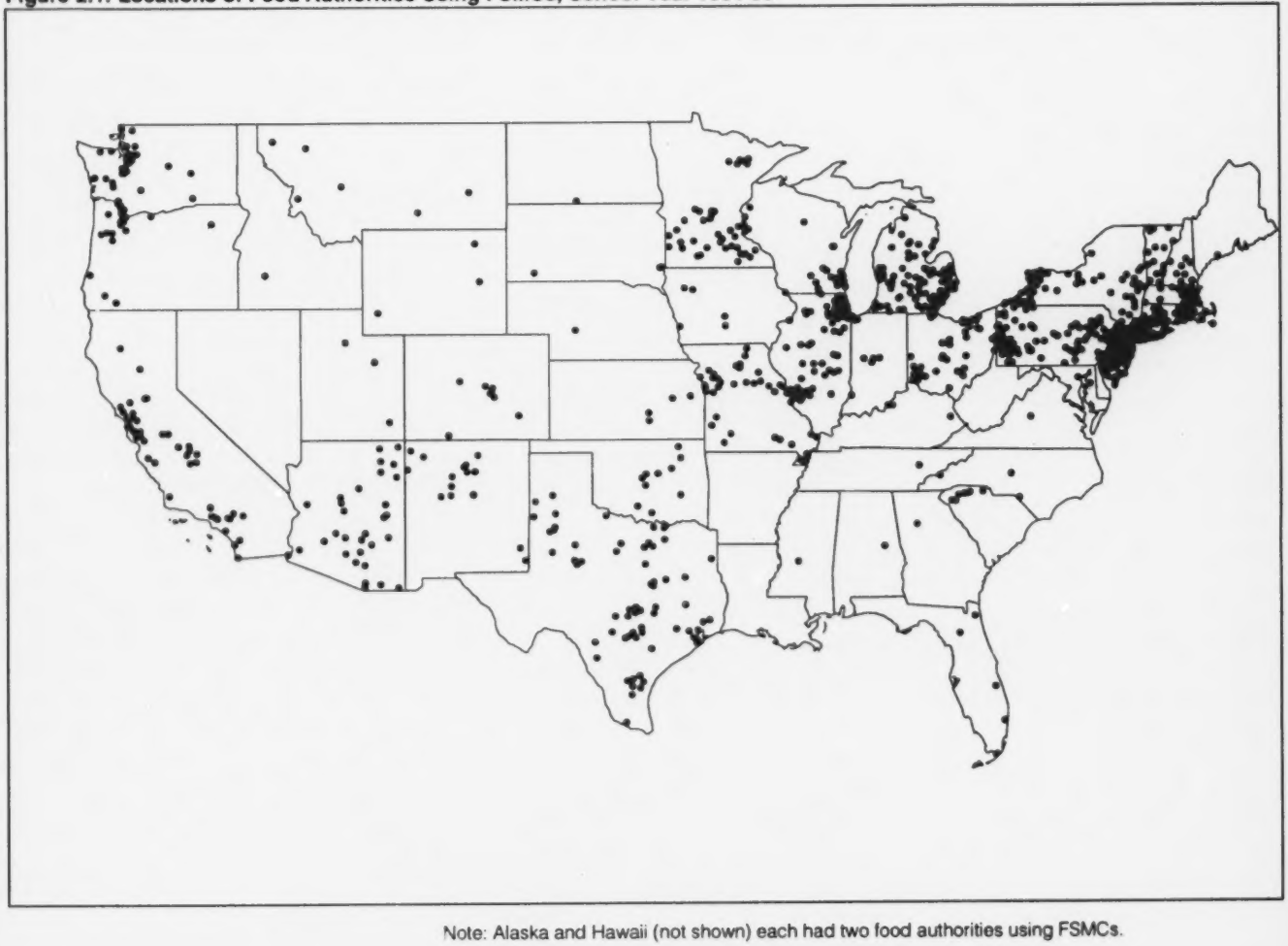
Food authorities using food service companies generally reported better financial conditions for their food services for the 1995-96 school year than for the year before using FSMCs. Seventy-eight percent reported operating at a surplus or about even with their budgets compared with 27 percent operating at a surplus or about even with their budgets prior to using FSMCs. In addition, food authorities using FSMCs said that both their level of student participation in the lunch program and their a la carte sales had increased. Although these food authorities reported improved financial conditions, their average participation rates in the lunch program were below those of food authorities not using FSMCs.

The Number of Food Authorities Using FSMCs Has Increased and Is Concentrated in Certain Areas and Types of Food Authorities

Although some food authorities participating in the lunch program have used FSMCs since the early 1970s, use of FSMCs by food authorities grew significantly during the 1980s and 1990s. Food authorities contracting with FSMCs are concentrated in certain areas of the country and have, on average, larger student populations. According to USDA's Office of Inspector General and food authorities' responses to our questionnaires, the percentage of food authorities using FSMCs doubled from school year 1987-88 through 1994-95, increasing from 4 to 8 percent of all food authorities. Food authorities with FSMC contracts reported that they provided meal services to about 7,500, or about 8 percent, of the approximately 89,000 public and private schools participating in the lunch program.

Although the use of FSMCs increased nationwide, most food authorities using them were concentrated in the Northeast and the Midwest, according to state information and our survey results. Figure 2.1 shows the areas of concentration.

Figure 2.1: Locations of Food Authorities Using FSMCs, School Year 1994-95



Note: Alaska and Hawaii (not shown) each had two food authorities using FSMCs.

Source: Our analysis of state agencies' data.

Five states—Arkansas, Delaware, Louisiana, Nevada, and West Virginia—as well as the District of Columbia, had no food authorities using FSMCs in school year 1994-95.

Furthermore, as table 2.1 shows, 10 states contained about three-fourths of the food authorities using FSMCs nationwide during school year 1994-95. The table also indicates the variation in the percentage of FSMC use within each of these states.

Table 2.1: States With Highest Percentage of Nationwide FSMC Use, School Year 1994-95

State	Number of SFAs in the state	Number of SFAs in the state using FSMCs	Percent of SFAs in the state using FSMCs	SFAs using FSMCs as percent of the 1,387 SFAs nationwide using FSMCs
New Jersey	808	272	34	20
New York	1,320	132	10	10
Pennsylvania	929	132	14	10
Illinois	1,098	123	11	9
Michigan	730	109	15	8
Texas	1,149	67	6	5
Ohio	972	50	5	4
Massachusetts	420	49	12	4
Missouri	878	49	6	4
California	1,110	48	4	3
Total	**9,414**	**1,031**		**74[a]**

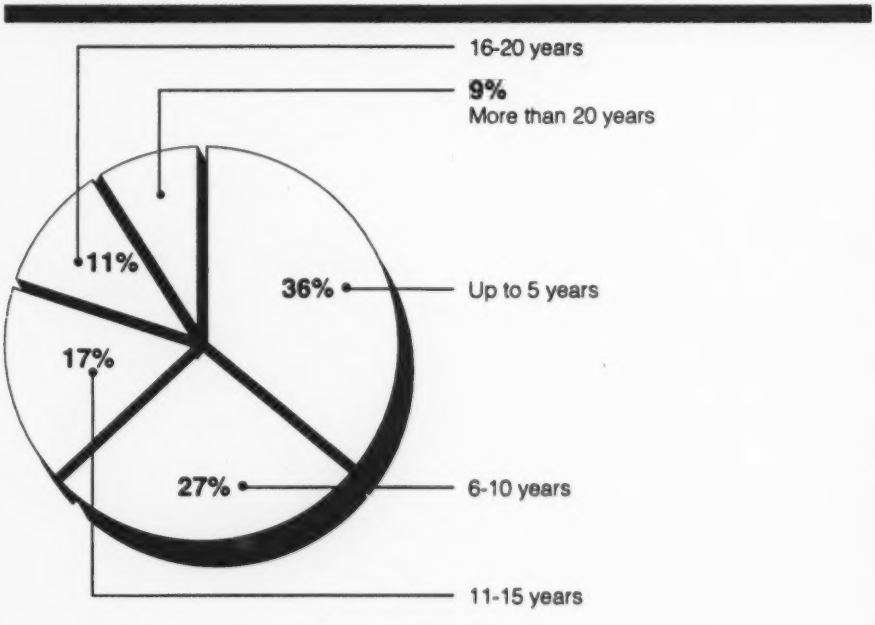
Legend

SFA = school food authority

[a]Column does not total 74 because of rounding.

Some of the 1,175 food authorities with FSMC contracts that responded to our questionnaire reported that they had used FSMCs for more than 20 years. However, the majority of these food authorities reported using FSMCs for a much shorter period. Figure 2.2 shows the number of years that these food authorities reported using FSMCs. Our analysis indicates that at the time of our survey, 10 years was the average amount of time that food authorities used FSMCs.

Figure 2.2: Number of Years That Food Authorities Reported Using FSMCs



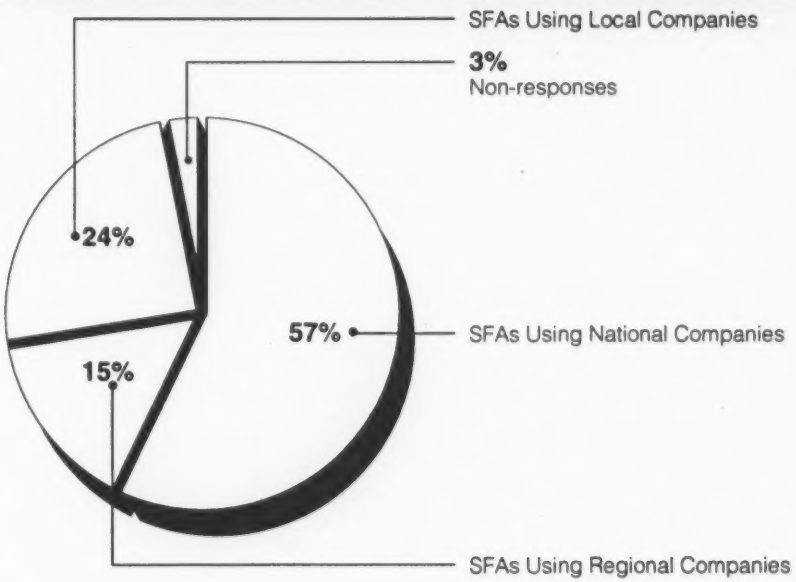
Note: 8.4 percent of the 1,175 food authorities did not provide us with this information.

According to the survey responses, the average size of the food service budgets of food authorities using and not using FSMCs was not significantly different.

The food authorities using FSMCs, on average, had more schools and students in their school districts than food authorities not using FSMCs. These food authorities reported an average of 6.4 schools in their districts that participated in the lunch program, compared with an average of 4.7 (3.9 to 5.5) schools in districts not using FSMCs. Furthermore, food authorities using FSMCs reported higher enrollments in their districts—an average of 3,539 students—compared with an estimated average of 2,317 (1,889 to 2,745) students in districts not using FSMCs. We also found that of the food authorities using FSMCs, about 91 percent operate food services in public schools, and about 9 percent operate food services in private schools.

While the food authorities using FSMCs were concentrated in certain sections of the nation, FSMCs were generally national companies. As figure 2.3 shows, 57 percent of the food authorities using FSMCs reported that they used food service companies that operate nationwide. Other food authorities used FSMCs that were local (operating within a state or at a single location) or regional (operating in more than one state) companies.

Figure 2.3: Percentage of Food Authorities That Reported Using National, Regional, or Local FSMCs



Legend

SFA = school food authority

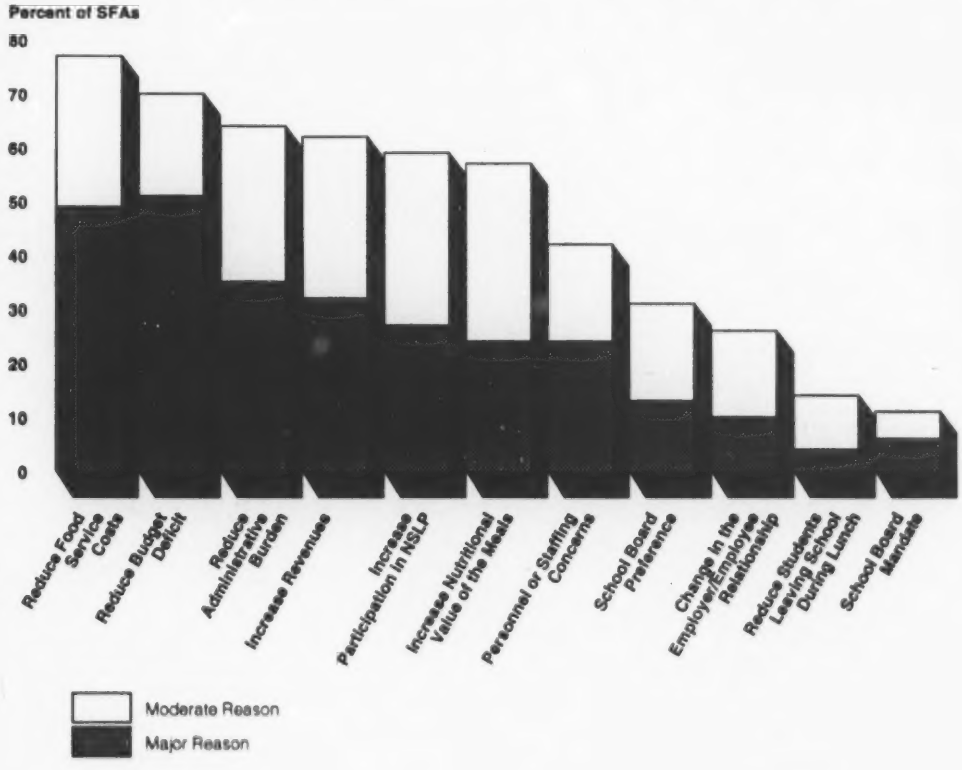
Note: Percentages do not add to 100 because of rounding.

Food Authorities Turned to FSMCs Primarily for Financial Reasons

Financial issues were frequently cited reasons for choosing, considering, or not choosing to use FSMCs, according to our survey results. About three-fourths of the food authorities that use FSMCs reported that they turned to them for financial reasons; 77 percent cited expectations of reducing food service costs as a major or moderate reason; and 70 percent cited expectations of reducing budget deficits as a major or moderate

reason. While these reasons were cited most often as a major or moderate reason, food authorities also reported other considerations, including expectations of reducing administrative burden, increasing revenues, increasing student participation in the lunch program, increasing the nutritional value of the meals, having personnel or staffing concerns, and changing their employer/employee relationship with cafeteria staff. Figure 2.4 shows the frequency with which food authorities rated reasons listed in our questionnaire as either major or moderate.

Figure 2.4: Percentage of Food Authorities Citing Reasons for Using FSMCs



Legend

NSLP = National School Lunch Program

BEST COPY AVAILABLE

In addition, 2 to 4 percent of the food authorities not using FSMCs were considering their use. For these food authorities, financial concerns were also reasons why they might use FSMCs. Of these food authorities, 61 to 95 percent reported that one reason for considering a change was their belief that the use of FSMCs would reduce food service costs. The food authorities also indicated that reducing administrative burden was a reason for considering the use of FSMCs. Table 2.2 shows the frequency of reasons cited by food authorities for considering the use of FSMCs.

Table 2.2: Percentage of Food Authorities Citing Reasons for Considering the Use of FSMCs

Reasons listed in the questionnaire	Percent of SFAs citing reason as major, moderate, or minor reason for considering the use of FSMCs	95-percent confidence interval
Reduce administrative burden	83	67 to 98
Reduce food service costs	78	61 to 95
Increase revenues	52	32 to 73
Reduce budget deficits	52	32 to 73
Increase participation in NSLP	43	23 to 64
Change in employer/employee relationship	39	19 to 59
Personnel or staffing concerns	39	19 to 59
School board preference	30	12 to 49
Increase nutritional value of meals	26	8 to 44

Legend

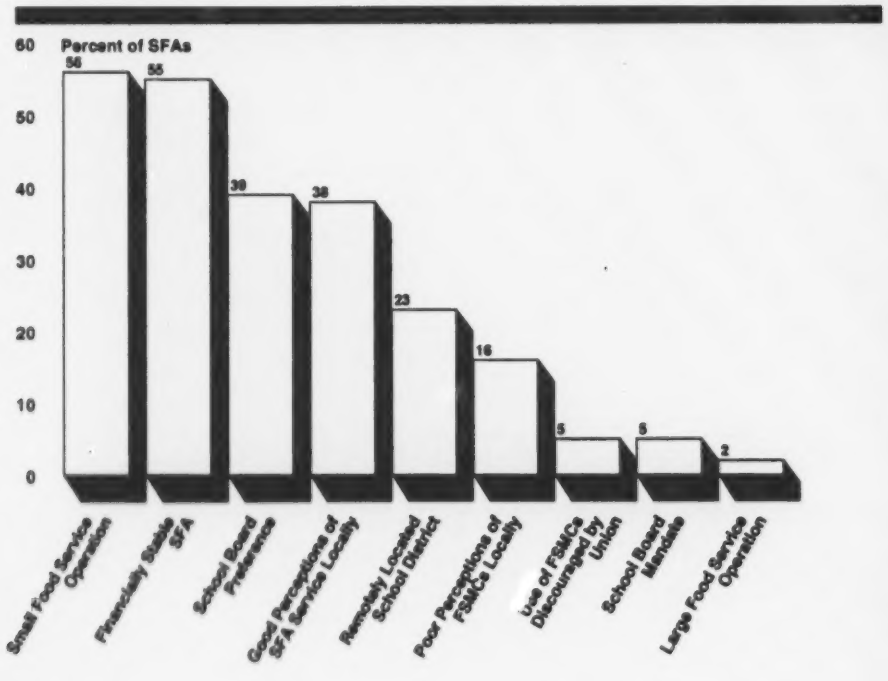
NSLP = National School Lunch Program

Note: Two other reasons—school board mandate and reduced number of students leaving school grounds—were included in the questionnaire but were cited by too few to report.

In contrast, over half of the food authorities not using FSMCs indicated that they were not using FSMCs because of their own financial stability, among other reasons. From a list of reasons provided in our questionnaire, these food authorities cited the small size of their food service operation and their financial stability as reasons for not contracting with an FSMC. Over one-third of the food authorities indicated that it was the school board's preference not to use FSMCs. A similar proportion indicated that they did not use FSMCs because of the good local perceptions regarding their

operation of the food service. These and other reasons for not using FSMCs and the frequencies with which they were cited by food authorities are shown in figure 2.5.

Figure 2.5: Percentage of Food Authorities Citing Reasons for Not Using FSMCs



Legend

SFA = school food authority

Note: The sampling errors for each of the percentages above are listed in order from left to right: 3.5 percent, 3.6 percent, 3.5 percent, 3.5 percent, 3.0 percent, 2.6 percent, 1.6 percent, 1.6 percent, and 1.0 percent, respectively.

Food Authorities Report Benefits From Contracting With FSMCs

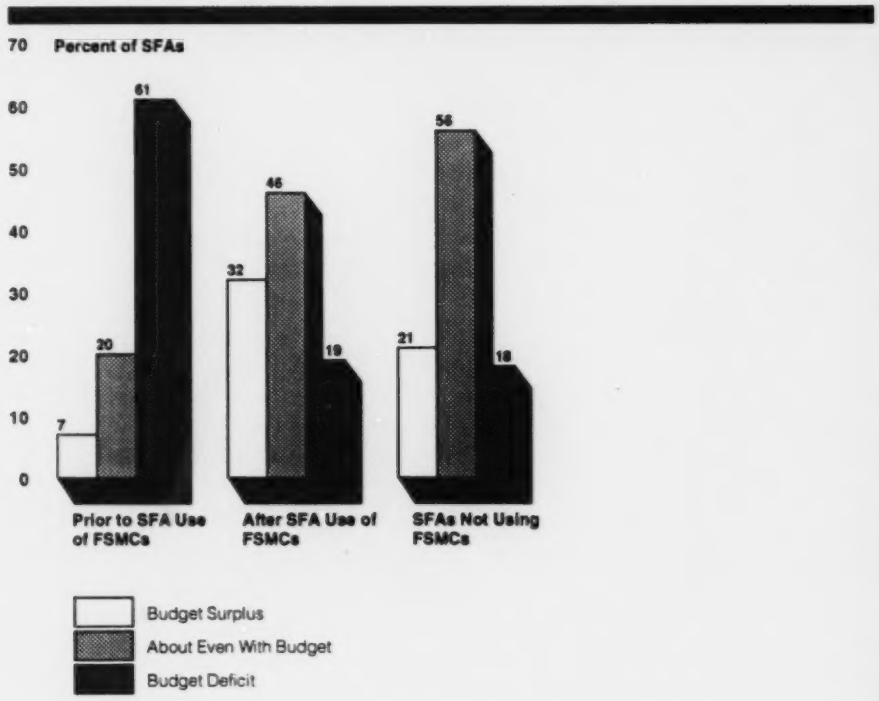
Seventy-eight percent of the food authorities using FSMCs reported that after using an FSMC, their food services were operating at about even with their budget or at a surplus—up from 27 percent prior to using an FSMC—in school year 1995-96. In comparison, the budgetary situation for these food authorities was about the same regarding reported budget deficits as that of food authorities not contracting with FSMCs. Food authorities using FSMCs reported that their costs for food, payroll, employee benefits, and

administration were lower; student participation in the lunch program increased; and a la carte sales increased. Although the food authorities using FSMCs had improved their prior financial conditions, their average student participation rates were below those of food authorities that did not use FSMCs.

After Using FSMCs, Most Food Authorities Were Operating Within Their Budgets

After using FSMCs, 32 percent of the food authorities reported that their schools' food service operated at a surplus; 46 percent reported operating at about even with their budgets; and 19 percent reported operating at a deficit. As figure 2.6 shows, food authorities improved their budget conditions after using FSMCs to the point where they were about the same regarding reported budget deficits as food authorities that were not using FSMCs. The figure also shows that 61 percent of the food authorities using FSMCs reported that prior to using FSMCs their schools' food service operated at a deficit, while 20 percent reported operating at about even with their budgets. Only 7 percent of the food authorities reported operating their food service at a surplus prior to using an FSMC.

Figure 2.6: Percentage of Food Authorities With Different Budget Conditions



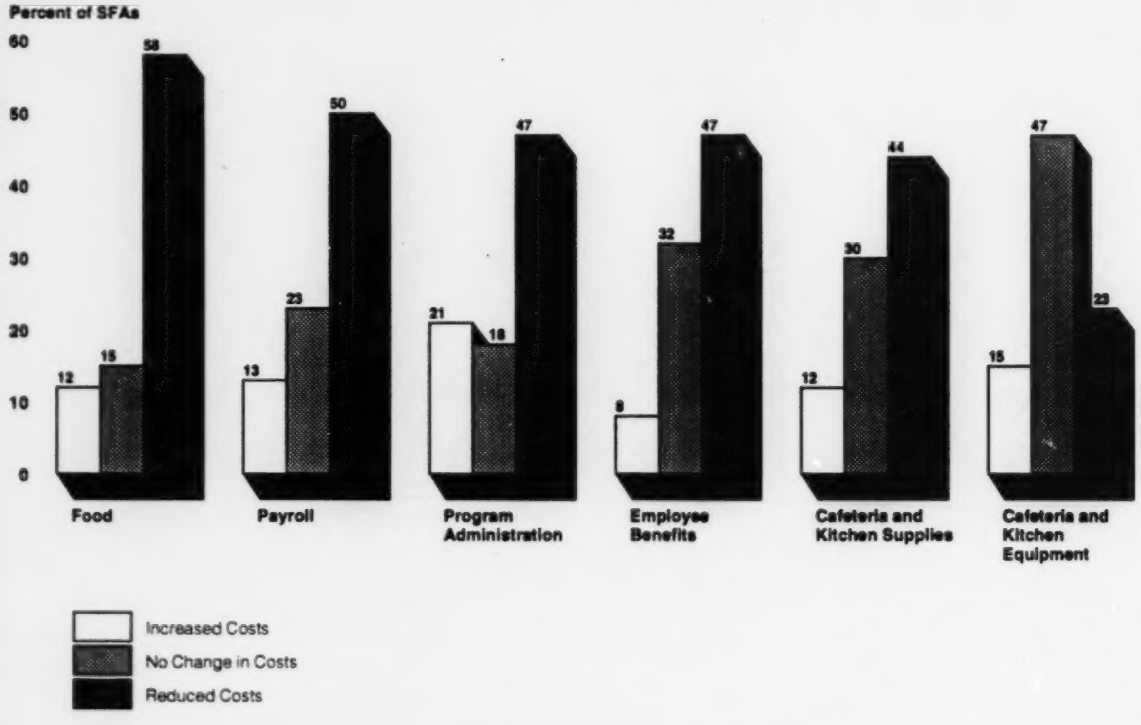
Legend

SFA = school food authority

Note: The 95-percent confidence interval for "SFAs Not Using FSMCs" is 18 to 24 percent for "Budget Surplus," 53 to 60 percent for "About Even With Budget," and 16 to 21 percent for "Budget Deficit." The percentage of SFAs reporting a budget surplus "After SFA Use of FSMCs" differs significantly from "SFAs Not Using FSMCs" as does those reporting "About Even With Budget."

As shown in figure 2.7, food authorities that used FSMCs generally reported reductions in various food service costs as a result of using FSMCs. Fifty-eight percent of the food authorities reported reduced food costs, and additional savings were reported in payroll, program administration, employee benefits, and cafeteria/kitchen supplies. Twenty-three percent of the food authorities reported cost reductions in cafeteria/kitchen equipment after using FSMCs.

Figure 2.7: Percentage of Food Authorities Reporting Changes in Food Service Component Costs After Using FSMCs



Food Authorities Reported Other Impacts Resulting From the Use of FSMCs

In addition to the budgetary improvements, food authorities reported the following other impacts from using FSMCs:

- Lunch program participation.

Seventy-three percent of the food authorities using FSMCs reported increases in average student participation in the lunch program as a result of using FSMCs; 14 percent reported that it remained about the same; and 2 percent reported decreases.

- Sales of a la carte items.

Seventy-four percent of the food authorities using FSMCs reported increases in the sales of a la carte items in their lunch program; 11 percent

reported that their sales remained about the same; and 2 percent reported decreases.

- Students leaving school grounds.

Among the food authorities using FSMCs and having schools that permit students to leave school grounds for lunch, 30 percent reported decreases in the number leaving as a result of using FSMCs; another 38 percent reported that the number remained about the same; and 7 percent reported an increase.

(Twenty-five percent did not evaluate the effect of using an FSMC on students leaving school grounds.)

In addition, 43 percent of the food authorities using FSMCs reported that most or all of their food service workers were retained by the school district when the food authorities began using an FSMC; 32 percent reported that all or most of their workers lost their jobs with the district but were rehired by the FSMC. (Our survey did not collect information on the possible changes in employee pay and benefits.) Thirty-six percent of the food authorities reported that their use of FSMCs resulted in a decrease in the number of school district employees overall. Also, a small percentage of food authorities reported that all or most of their staff retired, resigned, or were terminated by their district and not rehired by the FSMC.

Finally, 36 percent of the food authorities using FSMCs reported that the amount of federal commodities they accept increased after using FSMCs; another 39 percent reported that their acceptance had remained constant; and 5 percent reported a decrease.

Food Authorities Using FSMCs Report Lower Student Participation in Lunch Program Than Other Food Authorities

Despite reported improvements in the budgetary situations of food authorities using FSMCs and reported increases in participation in the lunch program, these food authorities' participation rates in the lunch program were lower than those reported by food authorities not using FSMCs. Our analysis shows that during school year 1995-96, the average participation rate for food authorities using food service companies was 49 percent, compared with 65 to 68 percent for those not using FSMCs.

FSMCs' Contracts Vary in Content and in Compliance With Selected Federal Requirements

Food authorities' contracts with FSMCs vary in content and in compliance with the selected federal requirements from the USDA guidance we reviewed.[1] In addition to stating that FSMCs will prepare and serve school meals, the contracts assign responsibility for other meal-related services such as food purchasing and nutrition education to the FSMC in varying degrees. Furthermore, although most food service contracts state that food authorities will pay FSMCs using a cost-plus-a-fixed-fee payment structure, the types and number of fixed fees vary. Finally, about one-half to two-thirds of the FSMC contracts do not contain all provisions required by USDA's guidance that we reviewed. The required provisions most often not found in the contracts were those intended to ensure that the food authorities maintain control of the school meals programs.

Food Authorities Contract for a Variety of Services

While almost all FSMC contracts state that the FSMC is responsible for preparing and serving meals and identify which meals the FSMC will provide, the contracts vary with regard to other related services—such as food purchasing and nutrition education—that they assign to the FSMC. We found that some contracts assign responsibility for related meal services to the FSMC, some to the food authority, and some to both organizations. In addition, while most contracts contain provisions defining responsibilities for managing food service personnel, their treatment of issues affecting the employment of existing personnel varies.

FSMC Contracts Vary in Types of Meals Provided

Our review indicates that almost all contracts state that the FSMC is responsible for preparing and serving meals. In addition, about 91 (84 to 98) percent of the contracts state that the FSMC will provide lunch, and 69 (58 to 80) percent state that the FSMC will provide breakfast. We also found that contracts specify a la carte service to be provided by the FSMC about as often as they specify breakfast. Table 3.1 shows the percentage of FSMCs' contracts that provide for specific meal services.

[1]Federal requirements are based on the program's policies, pertinent regulatory requirements, and guidance as described in Contracting With Food Service Management Companies: Guidance for School Food Authorities, Food and Consumer Service, USDA (rev., Apr. 1996, final, June 1995).

Table 3.1: Types of Meals Specified in FSMCs' Contracts

Meal services provided by FSMC	Percent of contracts	95-percent confidence interval
Lunch	91	84 to 98
A la carte	78	68 to 88
Breakfast	69	58 to 80
Special events meals	28	17 to 39

Note: Other services were mentioned too infrequently to provide an accurate estimate.

Assignment of Responsibility for Related Meal Service Activities Varies

The FSMC contracts vary in the assignment of eight other related meal services we reviewed. Some contracts assign responsibility for these related meal services to the FSMC, some to the food authority, and some to both organizations. Eight services we examined included (1) purchasing food, (2) counting meals, (3) inventorying and storing food, (4) planning menus, (5) providing for nutrition education, (6) cleaning, (7) paying for utilities, and (8) repairing and maintaining equipment. As table 3.2 shows, it was common for contracts to assign up to three additional meal-related services to the FSMC, while few assigned more than three of these eight services to the FSMC.

Table 3.2: Percentage of Contracts Assigning Responsibility for Multiple Related Meal Services to FSMCs

Number of the related services assigned to the FSMC	Percent of contracts	95-percent confidence interval
Four services	12	4 to 19
Three services	25	15 to 35
Two services	41	29 to 53
One service	21	11 to 30

Table 3.3 shows the percentage of contracts assigning responsibility for various meal services to the FSMC, the food authority, or both.

Table 3.3: Percentage of FSMCs' Contracts Assigning Responsibility for Various Meal-Related Services

Assignment of responsibility in contract	Meal-related service	Percent	95-percent confidence interval
FSMC	Food purchasing	87	79 to 95
	Meal counts	87	79 to 95
	Nutrition education	24	13 to 34
	Food inventory and storage	12	4 to 19
Both FSMC and SFA	Menu planning	91	84 to 98
	Cleaning	84	75 to 93
	Food inventory and storage	65	53 to 76
	Nutrition education	51	40 to 63
SFA	Utilities	81	72 to 90
	Equipment repair and maintenance	66	55 to 77

Legend

SFA = school food authority

In addition to these eight services, we noted that FSMCs' contracts assign responsibility for other related meal services. Some services typically assigned to the FSMC are (1) catering; (2) providing for laundry and towels, condiments, and eating utensils; (3) representing food authorities at meetings; and (4) evaluating the food service. Some responsibilities typically assigned to the food authority include providing gas and oil for vehicles, telephone service, and garbage removal.

FSMCs' Contracts Vary in Their Treatment of Existing Personnel

Most FSMC contracts define responsibilities for managing food service personnel, but they vary in their treatment of issues affecting the employment of existing personnel. On the basis of our review of FSMCs' contracts, about 93 (86 to 99) percent of the FSMC contracts define responsibility for managing food service personnel in some fashion. More specifically, most of the contracts (82 to 97 percent) state that the FSMC will employ the food service manager. At least half (50 to 73 percent) of the contracts state that the FSMC will employ the food service staff. Other arrangements in the FSMC contracts specify that the food authority employ the staff (3 to 18 percent) and that the food authority and the FSMC each employ some of the food service staff (10 to 28 percent).

In addition, our review showed that many of the FSMC contracts (41 to 65 percent) do not mention whether currently employed school food service staff will be retained by the food authority. However, some (9 to 27 percent) contracts state that the existing school staff will retain their jobs. Table 3.4 shows the percentage of FSMCs' contracts containing language regarding the retention of existing school staff.

Table 3.4: Percentage of FSMCs' Contracts Addressing Retention of Existing School Staff

FSMCs' contract provision stating retention of school food service staff	Percent of FSMCs' contracts	95-percent confidence interval
No mention	53	41 to 65
Maybe or not clear	24	13 to 34
Yes	18	9 to 27
No	0	N/A

Legend

N/A = not applicable

Furthermore, FSMC contracts vary on whether they include provisions against the hiring of current FSMC employees by the food authority or the hiring of current food authority employees by the FSMC. About 50 (38 to 62) percent of the FSMC contracts contain language restricting the food authorities' hiring of FSMC personnel. Conversely, 38 (27 to 50) percent of the FSMC contracts contain restrictions regarding the FSMCs' hiring of food authority personnel.

A Vast Majority of Contracts Specify a Cost-Plus-a-Fixed-Fee Payment Structure, but Other Financial Provisions Vary

Most FSMC contracts we reviewed have a cost-plus-a-fixed-fee payment structure, but fees vary. In addition, some contracts address other financial arrangements, such as the treatment of rebates and discounts that the FSMC receives from purchasing food for the school meals programs and guarantees for a financial return or against a financial loss to the food authority.

Most Contracts Have a Cost-Plus-a-Fixed-Fee Payment Structure, but Fees Vary

Under federal program regulations, FSMCs' contracts may specify payments to the FSMC through either a (1) cost-plus-a-fixed-fee method or a (2) fixed-price or fee payment method. On the basis of our review, about

91 (84 to 98) percent of FSMCs' contracts use the cost-plus-a-fixed-fee payment method.

According to USDA guidance, under the cost-plus-a-fixed-fee method, the FSMC passes food service operating costs through to the food authority and charges an additional fixed- or flat-fee for management and administrative costs. Typically, the administrative fee represents overhead costs, and the management fee represents the profits. A cost-plus-a-fixed-fee payment structure may include one or more of these fees and may also be quantified as a per-meal fee and/or an annual fee. On the basis of our review, about 40 (28 to 51) percent of the FSMC contracts have only annual fees; 50 (38 to 62) percent have only per-meal fees; and 10 (3 to 18) percent have annual fees and per-meal fees. Table 3.5 shows the most common types of fixed fees and associated average dollar amounts.

Table 3.5: Most Common Fixed Fees in Cost-Plus-a-Fixed-Fee Payment Structures

Type of fixed fee	Estimate of percent of FSMCs' contracts (95-percent confidence interval)	Average fee (95-percent confidence interval)
Annual administrative fee	35 (24 to 47)	$12,867 ($10,489 to $15,245)
Annual management fee	26 (16 to 37)	12,531 (7,483 to 17,579)
Per-meal administrative fee	34 (23 to 45)	.093 (.06 to .13)
Per-meal management fee	38 (27 to 50)	.045 (.03 to .06)

Note: Per-meal amounts can vary with the number of meals and the per-meal fees presented in this table are the average constant fee per meal.

Although federal regulations allow another payment method—fixed-price or fee payment structure—few (0.3 to 11 percent) of the FSMC contracts specify this approach. According to USDA's guidance, in a fixed-price or fee contract, charges are based on a unit charge. The unit may be per meal or per time period, typically a year. For example, the FSMC might charge $1.50 per meal, or $50,000 per year. In each instance, the fee charged is expected to cover all operating and administrative costs, and no additional costs are to be charged to the food authority.

Two other types of financial payments—cost-plus-a-percentage-of-cost and a cost-plus-a-percentage-of-income—are not permitted under federal

regulations (7 C.F.R. 210.16(c)). However, one contract that we reviewed specified a cost-plus-a-percentage-of-income payment structure. We are pursuing this issue with USDA officials.

In addition to the payment structure specified in the FSMC contracts, contracts may contain language permitting the food authority and the FSMC to renegotiate payment terms. Such renegotiations could occur if actual experience does not conform to the assumptions upon which the original fee structure was based. On the basis of our review of FSMCs' contracts, about 51 (40 to 63) percent of the FSMC contracts contain provisions allowing for payment adjustments.

Treatment of Rebates and Discounts Varies

According to USDA's guidance, as a control over purchasing, the FSMC's contract should state how discounts that the FSMC obtains when purchasing food are to be passed through to the food authority.[2] We found that many contracts do not address rebates and discounts and that some FSMC contracts contain provisions allowing FSMCs to receive some of the rebates and discounts obtained from vendors. As table 3.6 shows, FSMCs' contracts vary depending on how these rebates and discounts are handled in the contracts.

Table 3.6: Treatment of Rebates and Discounts in Contracts

Contract language	Percent of FSMCs' contracts	95-percent confidence interval
Contract does not address rebates or discounts.	40	28 to 51
Contract requires that all rebates/discounts be passed back to the SFA.	37	25 to 48
Contract permits the FSMC to retain some rebates/discounts obtained from vendors.	18	9 to 27

Legend

SFA = school food authority

FSMCs' contracts that permit the FSMC to retain some of the rebates/discounts also vary depending on who receives these discounts/rebates. For example, some contracts we reviewed state that only local discounts will be passed back to the food authority; other

[2]This applies to cost-reimbursable contracts and is not applicable to fixed-price contracts.

discounts or rebates, from such sources as regional and national purchasing arrangements, are to be retained by the FSMC.

Some FSMC Contracts Contain Financial Guarantees

According to USDA's guidance, FSMCs' contracts may contain language that guarantees a financial return or provides for protection against a financial loss to the food authority. On the basis of our review of FSMCs' contracts, about 18 (9 to 27) percent of the contracts contain a guarantee of surplus revenues. The average dollar amount of this guarantee was between $10,198 and $67,419. This type of guarantee was not always carried forward and in some cases was reduced when the contract was renewed. Of the 12 contracts we reviewed that initially guaranteed a surplus, 6 have contract renewals. Of those six, three continue the surplus guarantee in the current contract renewal. In two of those cases, the surplus guarantee was reduced when the contract was renewed.

In addition, on the basis of our review of FSMCs' contracts, about 44 (32 to 56) percent of FSMCs' contracts contain provisions that guarantee against a financial deficit in operating the school meals programs.

Many FSMC Contracts Do Not Contain All Eight Required Contractual Provisions That We Reviewed

USDA's guidance for food authorities' contracts with FSMCs specifies a number of provisions that must appear in the contracts to ensure that federal requirements are met.[3] State agencies are responsible for reviewing these contracts to ensure that all the required provisions are included. We reviewed FSMCs' contracts to determine if they contained eight required provisions. We selected two provisions in each of the following four areas: (1) financial control, (2) USDA-donated foods, (3) monitoring and evaluation, and (4) duration and renewal of contracts. We found that about 57 (46 to 69) percent of the FSMC contracts do not contain all eight federally required provisions we reviewed. The required provisions that were most often not in the contracts were those intended to ensure that food authorities maintain control of the school meals programs.

Table 3.7 shows the percentage of FSMCs' contracts that do not contain one, two, three, or more of the eight federally required provisions we reviewed.

[3]See Contracting with Food Service Management Companies: Guidance for School Food Authorities, Food and Consumer Service, USDA (rev., Apr. 1995, final, June 1995).

Table 3.7: Percentage of FSMCs' Contracts That Do Not Contain One, Two, Three, or More of the Required Provisions

Number of provisions not contained in FSMCs' contracts	Percent of FSMCs' contracts	95-percent confidence interval
One	19	10 to 28
Two	25	15 to 35
Three or more	13	5 to 21

Some Contracts Do Not Contain Selected Required Financial Control Provisions

Under federal requirements, FSMCs' contracts must include a provision stating that the food authority retains control of the overall financial responsibility for the school meals programs, including the nonprofit school food service account. On the basis of our review of FSMCs' contracts, about 35 (24 to 47) percent of FSMCs' contracts do not contain this required provision.

In addition, FSMCs' contracts must include a provision reaffirming the food authority's responsibility for establishing all prices for meals served under the nonprofit school food service account (e.g., pricing for all reimbursable meals, a la carte service and vending machines, and adult meals). Our review indicates that about 12 (4 to 19) percent of FSMCs' contracts do not contain this required provision.

Table 3.8 shows the percentage of FSMCs' contracts that do not contain the required provisions we reviewed that address food authorities' financial control responsibilities.

Table 3.8: Percentage of FSMCs' Contracts That Do Not Contain Selected Required Financial Control Provisions

Required provision	Percent of FSMCs' contracts that do not contain this requirement	95-percent confidence interval
SFA retains control of the nonprofit school food service account and overall financial responsibility for the school nutrition program.	35	24 to 47
SFA retains control of the establishment of all prices for meals served under the nonprofit school service account.	12	4 to 19

Legend
SFA = school food authority

Some Contracts Do Not Contain Selected Required USDA-Donated Foods Provisions

Under federal requirements, all contracts must state that the food authority retain title to USDA-donated foods (such as fruit, vegetables, meat, and poultry). Some of FSMCs' contracts do not contain this provision. In addition, food authorities are to ensure that these foods are used for the school meals programs. These USDA-donated foods offset the cost to food authorities of providing school meals. Few (3 of 68) of the FSMCs' contracts we reviewed did not contain this provision.

Table 3.9 shows the percentage of FSMCs' contracts that do not contain the required provisions addressing food authorities' responsibilities for USDA-donated foods.

Table 3.9: Percentage of FSMCs' Contracts That Do Not Contain Selected Required USDA-Donated Foods Provisions

Required provision	Percent of FSMCs' contracts that do not contain this requirement	95-percent confidence interval
SFA retains title to USDA-donated foods.	35	24 to 47
SFA ensures that all USDA-donated foods made available to the FSMC accrue only to the benefit of the SFA's nonprofit school food service and are fully utilized therein.	[a]	N/A

Legend

N/A = not applicable

SFA = school food authority

[a]No estimate developed.

Some Contracts Do Not Contain Selected Monitoring and Evaluation Requirements

According to federal requirements, contract provisions must confirm the food authority's responsibility to monitor the food service operation through periodic on-site visits. According to USDA's guidance, the purpose of monitoring is to ensure that the FSMC complies with the contract and any other applicable federal, state, and local rules and regulations. On the basis of our review of FSMCs' contracts, about 18 (9 to 27) percent of the contracts do not contain this required provision.

In addition to spelling out the food authority's monitoring responsibilities, the contract must state that FSMC's records will be made available upon request to the Comptroller General, USDA, the state agency responsible for overseeing food authorities, and the food authority for audits and other types of evaluations to be conducted. On the basis of our review, about 10 (3 to 18) percent of FSMCs' contracts do not contain parts of this requirement.

Table 3.10 shows the percentage of FSMCs' contracts that do not contain the required monitoring and evaluation provisions we reviewed.

Table 3.10: Percentage of FSMCs' Contracts That Do Not Contain Selected Required Monitoring and Evaluation Provisions

Required provision	Percent of FSMCs' contracts that do not contain this requirement	95-percent confidence interval
SFA monitors the food service operation through periodic on-site visits to ensure that the food service is in conformance with program regulations.	18	9 to 27
Records must be made available to the Comptroller General, USDA, the state agency, and SFA upon request for the purpose of making audit, examination, excerpts, and transcriptions.	10	3 to 18

Legend

SFA = school food authority

Most Contracts Comply With Duration and Renewal Requirements

According to federal requirements, a contract must identify a beginning and ending date to ensure that the contract between the food authority and the FSMC is not longer than 1 year in duration. We found only 1 FSMC contract in the 68 we reviewed that did not contain provisions limiting the contract's duration to 1 year or less.

In addition, federal requirements stipulate that options for renewing FSMCs' contracts may not exceed four additional 1-year extensions. While almost all of FSMCs' contracts (66 of 68) we reviewed contain provisions for renewal at the end of 1 year, few (3 of 68) of the FSMC contracts we reviewed do not include the required renewal limit.

Omission of Required Provisions in Contracts May Diminish Compliance

USDA's guidance for contracts with FSMCs specifies a number of provisions that must appear in these contracts to ensure that federal requirements are met. Required provisions include a range of terms and conditions addressing the food authority's and the FSMC's responsibilities in such areas as financial controls and payments; monitoring; the quality, extent, and general nature of the food service; controlling USDA donated foods; and various record-keeping and reporting functions.

State agencies, according to USDA's guidance, are responsible for reviewing these contracts to ensure that all the required provisions are included.[4] According to USDA, the contract between a food authority and an FSMC is a major factor in ensuring a meal service that not only meets the best interest of the food authority but also conforms to federal, state, and local requirements. In addition, according to USDA, the contract is the basis for successful and appropriate oversight by the food authority.

If food authorities' contracts with FSMCs lack required provisions specified in USDA's guidance, uncertainty may result about the responsibilities of each party and thereby diminish compliance with federal requirements. This uncertainty could occur even if a contract states that the FSMC will adhere to the lunch program's regulations because USDA's guidance is more specific than the regulations and specifies that the contracts must contain certain provisions. For example, the guidance requires the contract to include a provision that the food authority retain control of the school food service account and overall financial responsibility for the school nutrition program. In contrast, the lunch program's regulation (7 C.F.R. 210.16(a)(4)) states that the food authority shall "retain control of the quality, extent, and general nature of food service." In addition, since a contract may provide that it represents the entire agreement between the parties, the failure to require compliance with the guidance in the contract may mean that the FSMC is not bound by the required provisions in the guidance.

Conclusions

While contracts between food authorities and FSMCs may properly vary in their assignments of responsibilities, they should not vary in their compliance with USDA's guidance for contracting with FSMCs. If the provisions required by this guidance are not included in the contract, questions may arise over whether the FSMC is subject to these provisions.

[4]Contracting with Food Service Management Companies: Guidance for State Agencies, Food and Consumer Service, USDA (rev., Apr. 1995, final, June 1995).

Consequently, such omissions could result in FSMCs' noncompliance with the federal requirements for the lunch program.

Recommendation to the Secretary of Agriculture

To achieve improved compliance with USDA's guidance, we recommend that the Secretary of Agriculture direct the Administrator, Food and Consumer Service, to work with appropriate state officials to ensure that FSMCs' contracts contain the provisions required by USDA's guidance on contracting with FSMCs.

Agency Comments

We provided USDA's Food and Consumer Service with copies of a draft of this report for review and comment. We met with agency officials including the Director of the Grants Management Division. USDA concurred with our recommendation and plans to take action. Planned actions include (1) sending a letter to appropriate state agencies reiterating the importance of including required provisions in FSMCs' contracts and (2) making USDA's guidance for contracting with FSMCs more readily available by placing it on the agency's automated information system and the Internet.

The Percentage of Schools Offering Brand-Name Fast Foods Has Increased

The percentage of public schools that participate in the lunch program and offer brand-name fast foods increased substantially from school year 1990-91 through school year 1995-96—from about 2 percent to about 13 percent. These schools offer one to two brand-name fast foods twice a week, on average, and generally offer them as part of a federally reimbursable lunch. Schools offering brand-name fast foods were more likely to be located in suburban areas and use an FSMC. They also have larger student populations on average.

Most cafeteria managers at schools offering brand-name fast foods reported benefits from their use. Increased participation in the lunch program was the reason mentioned most often by cafeteria managers for offering these foods, and increased sales was the most frequently reported benefit. Most managers who did not use brand-name fast foods reported that they did not use them because they believed that the food they served was more nutritious.

When coupled with other food items prescribed by the federal lunch pattern, brand-name fast foods can be incorporated into a lunch that is eligible for federal reimbursement.

While most schools allowed students access to snack foods and/or drinks during lunch, fewer schools provided such items from vending machines. Cafeteria managers in 67 percent of the schools we surveyed reported that students had access to these foods from canteens and a la carte sales; in 20 percent of the schools, students had access to these items from vending machines.

The Percentage of Schools Offering Brand-Name Fast Foods Increased, Although Use Remains Limited

The percentage of schools offering brand-name fast foods increased from an estimated 2 percent in school year 1990-91 to about 13 percent in school year 1995-96, according to our analysis of the information the cafeteria managers provided us with.[1] These schools offered one or two of these items two times a week, on average, and usually offered them as part of a federally reimbursable lunch.[2] In addition, increased use of brand-name fast foods varied by several school characteristics, such as a school's size and location.

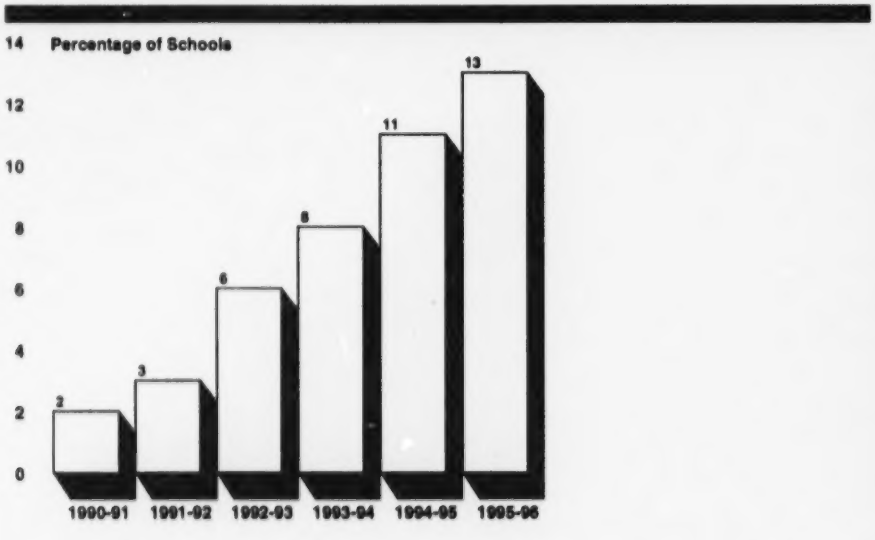
[1]The sampling errors for the cafeteria managers' responses are included in the figures unless otherwise noted.

[2]All references to "schools" in this chapter refer to public schools that participate in the National School Lunch Program.

Percentage of Schools Offering Brand-Name Fast Foods Is Up

In the 1995-96 school year, an estimated 13 percent of the cafeteria managers in our survey reported using brand-name fast foods—up from about 2 percent in the 1990-91 school year. Figure 4.1 shows the percentage of schools offering brand-name fast foods at lunch since school year 1990-91.

Figure 4.1: Schools' Use of Brand-Name Fast Foods, School Years 1990-91 Through 1995-96



Note: The sampling errors for each of the percentages above are 1.5 percent or less.

Moreover, 1 to 3 percent of the cafeteria managers reported that while their schools were not offering brand-name fast foods at the time of our survey, they were planning to offer them during the 1995-96 school year.

Even though more schools were offering brand-name fast foods, the number of items offered and the frequency with which they were offered was somewhat limited. In the schools that offered these items, most cafeteria managers (60 to 72 percent) reported that they offered only one item, while others (24 to 36 percent) reported offering two or more items.

In addition, brand-name fast foods were generally not offered every day but on an average of twice a week. Most schools (51 to 63 percent) offered

a brand-name fast food once a week or less. About 19 (14 to 24) percent, offered an item every day.

Most schools offering brand-name fast food items included them as part of a lunch that qualifies for federal reimbursement under the lunch program, the cafeteria managers reported. However, about 24 (18 to 29) percent of the schools serving brand-name fast foods reported that they offered them solely as a la carte items. The three types of brand-name fast foods that schools most frequently offered were pizza, burritos, and subs and other sandwiches, excluding hamburgers. Of those schools offering brand-name fast foods, 80 (74 to 85) percent offered pizza, 21 (16 to 26) percent offered burritos, and 11 (7 to 15) percent offered subs and/or sandwiches.

According to cafeteria managers, four fast food vendors provided the bulk of brand-name fast foods for the schools using these items in school year 1995-96. Collectively, about 73 (68 to 79) percent of the schools that offered brand-name fast foods used one or more of these four vendors: 36 (30 to 42) percent of the schools used Pizza Hut; 27 (21 to 32) percent, Domino's Pizza; 22 (17 to 27) percent, Taco Bell; and 6 (3 to 9) percent, Subway.

Characteristics of Schools Offering Brand-Name Fast Foods Differed From Those of Other Schools

Schools offering brand-name fast foods differed in a number of ways from those that did not. In particular, by school level, middle schools—about 25 (20 to 30) percent—and high schools—23 (18 to 28) percent—were more likely to offer these foods than elementary schools—9 (7 to 11) percent—during school year 1995-96.[3]

By location, suburban schools were more likely to offer brand-name fast foods than rural or urban schools. The difference between urban and rural schools was also significant. Approximately 22 (19 to 26) percent of the suburban schools used brand-name fast foods during the 1995-96 school year compared with 15 (12 to 19) percent of the schools in urban areas and 8 (7 to 10) percent of the schools in rural areas.[4]

[3]We defined elementary schools as schools serving children in grade six and under or schools serving children through grade eight, provided that they also serve children in grade three or under. We defined middle schools as schools with a minimum grade level of four through eight and with a maximum grade level of seven through nine. We defined high schools as schools serving children only in grades nine and up. Some schools such as those that serve kindergarten through grade 12 did not meet these definitions; hence we did not include them in our analysis of differences by school level.

[4]We defined urban as large and mid-size central cities of standard metropolitan statistical areas. We defined suburban as the urban fringe of large and mid-size cities in metropolitan statistical areas and large towns not in metropolitan statistical areas with populations of 25,000 or more. We defined rural as areas with populations of less than 2,500 as well as small towns not in metropolitan statistical areas.

In addition, regardless of school level or location, schools using and not using brand-name fast foods differed in the following areas:

- Student population.

  Schools offering brand-name fast foods were more likely to have larger student populations than schools not using these foods—an average of from 730 to 885 students compared with from 503 to 543 students, respectively.

- Cafeteria management.

  Schools offering brand-name fast foods were more likely to be managed by an FSMC than schools not offering these foods—about 18 (13 to 23) percent compared with 10 (8 to 11) percent, respectively.

- Offer versus serve.

  Elementary and middle schools offering brand-name fast foods were more likely to use the offer versus serve option than elementary and middle schools that did not—about 95 (91 to 98) percent compared with 84 (82 to 86) percent.

- Multiple entrees.

  Schools using brand-name fast foods were more likely to offer multiple entrees than schools that did not use these foods—about 83 (78 to 88) percent compared with 57 (54 to 59) percent.

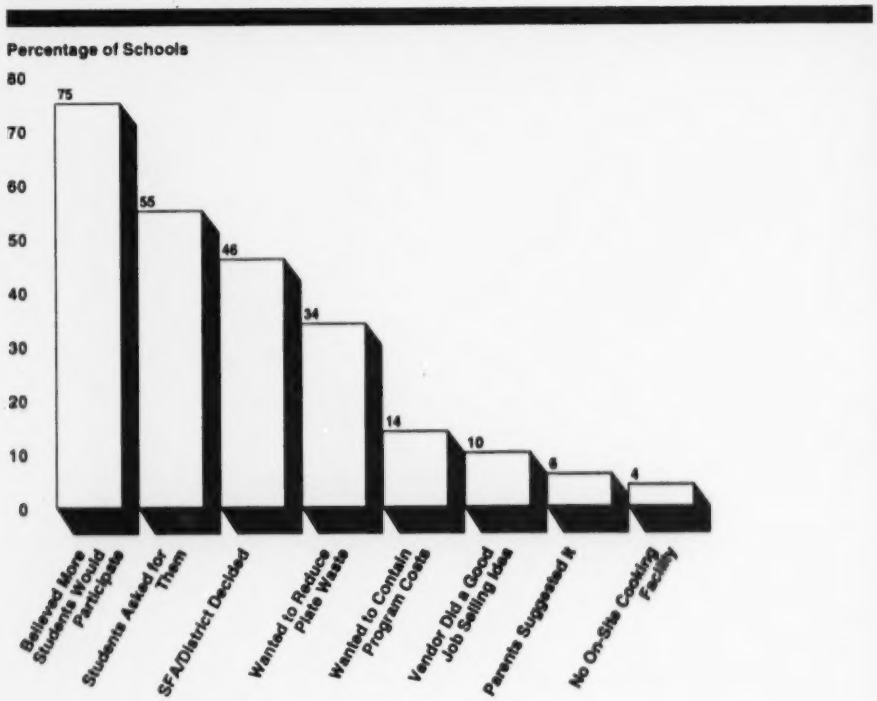
Most Cafeteria Managers Report That Their School Benefited From Using Brand-Name Fast Foods

The use of brand-name fast foods benefited schools' lunch service, according to most cafeteria managers we surveyed. They most often cited a desire to increase students' participation in the lunch program as the reason for using brand-name fast foods, and they most frequently reported increased sales as a benefit. Those cafeteria managers not offering brand-name fast foods most frequently stated that the food currently being served was more nutritious as their reason for not offering those items.

Increased Participation Was the Most Frequently Cited Reason for Offering Brand-Name Fast Foods

As figure 4.2 shows, 75 percent of the cafeteria managers at schools offering brand-name fast foods named increased student participation as the reason for turning to brand-name fast foods. Fifty-five percent said the students asked for brand-name fast foods, and another 46 percent said their food authority or district decided to provide students with brand-name fast foods.

Figure 4.2: Reasons for Using Brand-Name Fast Foods Cited by Cafeteria Managers in Schools Currently Using Them



Legend

SFA = school food authority

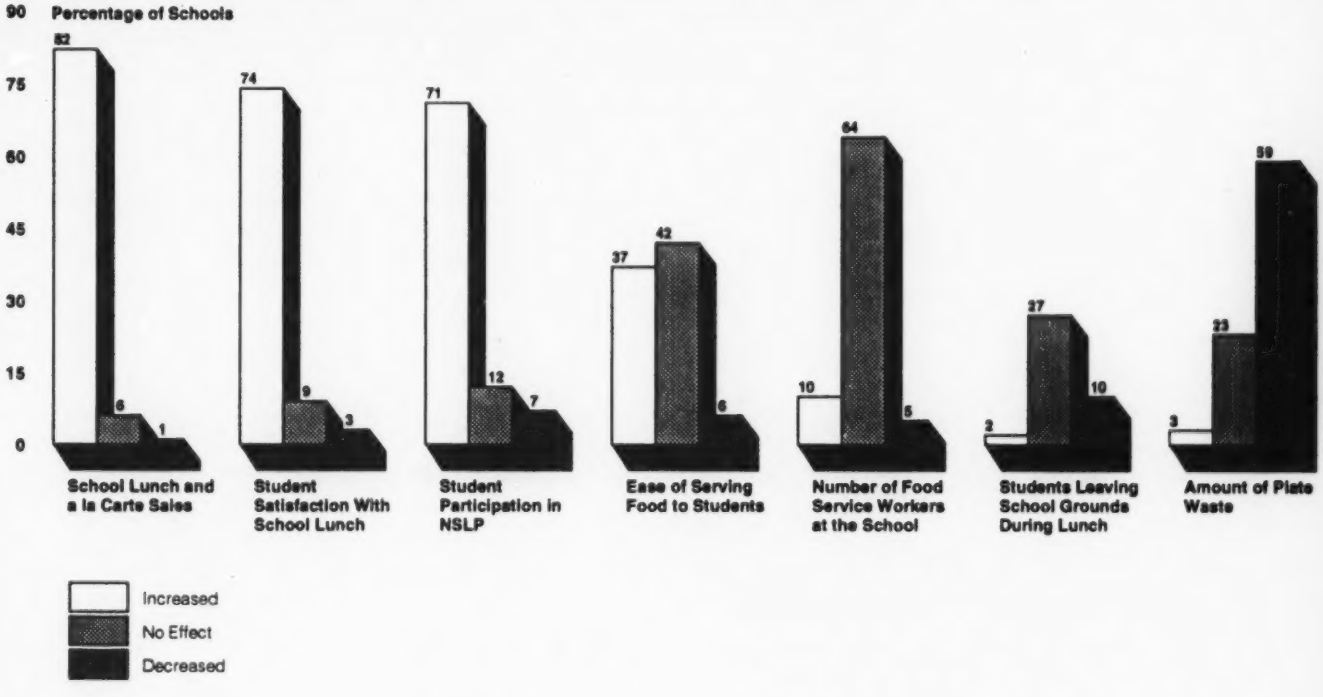
Note: The sampling errors for each of the percentages above are listed in order from left to right: 5.4 percent, 6.2 percent, 6.2 percent, 5.9 percent, 4.4 percent, 3.8 percent, 2.9 percent, and 2.5 percent, respectively.

Increased Sales Was the Most Frequently Cited Benefit of Offering Brand-Name Fast Foods

As shown in figure 4.3, in terms of benefits, cafeteria managers most often identified three changes following the introduction of brand-name fast foods: (1) 82 percent reported increased school lunch and a la carte sales, (2) 74 percent reported increased student satisfaction with the school lunch, and (3) 71 percent reported greater student participation. However, 6 percent of the managers said that they experienced no change in sales, and 1 percent reported a decrease.

Schools' use of brand-name fast foods appeared to have little effect on the number of schools' food service workers. Sixty-four percent of the schools reported no change in the number of food service workers, another 5 percent reported a loss, and 10 percent reported a gain.

Figure 4.3: Effects of Using Brand-Name Fast Foods Cited by Cafeteria Managers



Legend

NSLP = National School Lunch Program

Note: The percentages within each category do not add up to 100 percent; not all managers answered each question. Also, the sampling errors for the percentages in each category are listed from left to right: "School Lunch and a la Carte Sales" (4.8 percent, 3 percent, and 1.4 percent); "Student Satisfaction with School Lunch" (5.5 percent, 3.7 percent, and 2 percent); "Student Participation in NSLP" (5.7 percent, 4.1 percent, and 3.2 percent); "Ease of Serving Food to Students" (6.1 percent, 6.2 percent, and 2.9 percent); "Number of Food Service Workers at the School" (3.7 percent, 6 percent, and 2.8 percent); "Students Leaving School Grounds During Lunch" (1.6 percent, 5.6 percent, and 3.7 percent); and "Amount of Plate Waste" (2.1 percent, 5.3 percent, and 6.2 percent).

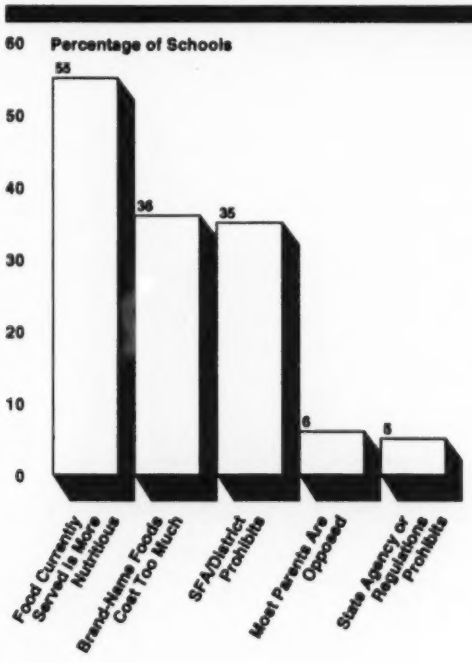
Some Schools Do Not Offer Brand-Name Fast Foods Because of Beliefs That Current Food Served Is More Nutritious

According to cafeteria managers in 55 percent of the schools that did not use brand-name fast foods, their school did not use these foods because managers believed the food currently being served in their cafeteria was more nutritious. Thirty-six percent of the cafeteria managers said that their school did not use brand-name fast foods because these foods were

BEST COPY AVAILABLE

too costly, and 35 percent reported that the food authority or school district prohibited their use. (See fig. 4.4.)

Figure 4.4: Reasons for Not Using Brand-Name Fast Foods Cited by Cafeteria Managers Not Using and Not Planning to Use Them



Legend

SFA = school food authority

Note: The sampling errors for the percentages above are listed, in order, from left to right: 2.5 percent, 2.4 percent, 2.3 percent, 1.2 percent, and 1.1 percent.

Brand-Name Fast Foods Can Be Included as Part of a Federally Reimbursable Lunch

Brand-name fast foods served alone do not qualify as a lunch meeting USDA's nutritional standards and therefore are not eligible for federal reimbursement under the lunch program. However, meals that include brand-name fast foods and other foods prescribed by the federal lunch pattern, as discussed in chapter 1 and appendix II, can be eligible for federal reimbursement. Our analysis of available ingredient information for four fast foods—Pizza Hut's pepperoni pizza, Domino's pepperoni pizza, Taco Bell's bean burrito, and Subway's Club sandwich—and the lunch program's requirements showed that these items can be

incorporated into a lunch that qualifies for federal reimbursement under the program.

Tables 4.1 through 4.4 show the contributions of the ingredients in the four fast food products to USDA's prescribed lunch pattern requirements for group IV (ages 9 and older/grades 4 through 12). The tables also show examples of lunches that include these brand-name fast food items and could qualify for federal reimbursement under the program. Appendix II shows the federal lunch pattern requirements for the five age and grade categories. Appendix III identifies the nutrient content of these foods, as described by the fast food vendors.

Table 4.1: Pizza Hut's Pepperoni Pizza Ingredients and Contribution to the Lunch Program's Requirements

Ingredients by weight for 1/8 slice of a 14-inch hand-tossed pepperoni pizza	Contribution to NSLP's lunch program pattern requirement per serving
Real cheese (1.76 oz.) and pepperoni (0.37 oz.)	1 serving (2 oz.) of meat/meat alternate
Pizza crust (2.75 oz.)[a]	2.5 servings of bread
Pizza sauce (0.80 oz.)	[b]

Legend

NSLP = National School Lunch Program

Note: A school lunch, including this pizza, can qualify for federal reimbursement if incorporated into a meal that also offered one-half pint of milk, three-quarters of a cup of a vegetable, and three-quarters of a cup of fruit. The pizza contributes the bread and meat/meat alternate components of the lunch pattern for group IV. (See app. II.)

[a]The pizza crust is made with enriched flour.

[b]Pizza Hut, Inc., does not include pizza sauce as a contributor to the lunch pattern requirement for vegetables.

Source: Our analysis of the product's ingredient information provided by Pizza Hut, Inc., and USDA's lunch pattern requirements.

Table 4.2: Domino's Pepperoni Pizza Ingredients and Contribution to the Lunch Program's Requirements

Ingredients by weight for 1/8 slice of a 15-inch pepperoni pizza	Contribution to NSLP's lunch pattern requirement per serving
Real cheese (1.80 oz.) and pepperoni (0.35 oz.)	1 serving (2 oz.) of meat/meat alternate
Pizza dough (2.67 oz.)[a]	2 servings of bread
Pizza sauce (1.10 oz.)	1/8 cup vegetables

Legend

NSLP = National School Lunch Program

Note: A school lunch, including this pizza, can qualify for federal reimbursement if incorporated into a meal that also offered one-half pint of milk, five-eighths of a cup of a vegetable, and three-quarters of a cup of fruit. The pizza contributes the bread, meat/meat alternate, and part of the fruit/vegetable components of the lunch pattern for group IV. (See app. II.)

[a]The dough is made with bleached, enriched flour.

Source: Our analysis of the product's ingredient information provided by Domino's Pizza, Inc., and USDA's lunch pattern requirements.

Table 4.3: Taco Bell's Bean Burrito Ingredients and Contribution to the Lunch Program's Requirements

Ingredients by weight for a 7.45-ounce bean burrito	Contribution to NSLP's lunch pattern requirement per serving
Pinto beans (104.0 g) and real cheese (6.8 g) filling (total, 2.25 oz.)	1 serving (2 oz.) of meat/meat alternate
Tortilla (72.3 g)[a]	2 servings of bread

Legend

NSLP = National School Lunch Program

Note: A school lunch, including this burrito, can qualify for federal reimbursement if incorporated into a meal that also offered one-half pint of milk, three-quarters of a cup of a vegetable, and three-quarters of a cup of fruit. The burrito contributes the bread and meat/meat alternate components of the lunch pattern for group IV. (See app. II.)

[a]The tortilla is made with bleached, enriched, wheat flour.

Source: Our analysis of the product's ingredient information provided by Taco Bell Corp. and USDA's lunch pattern requirements.

BEST COPY AVAILABLE

Table 4.4: Subway's Club Sandwich Ingredients and Contribution to the Lunch Program's Requirements

Ingredients by weight for a 6-inch Subway Club sandwich	Contribution to NSLP's lunch pattern requirement per serving
Real cheese (0.4 oz.), ham (0.5 oz.), roast beef (1.0 oz.), & turkey breast (1.0 oz.)	1 serving (2 oz.) of meat/meat alternate
Italian white bread (2.5 to 2.6 oz.)[a]	2.5 servings of bread
Vegetables (2.0 to 3.0 oz.)[b]	1/4 cup vegetables

Legend

NSLP = National School Lunch Program

Note: A school lunch, including this sandwich, can qualify for federal reimbursement if incorporated into a meal that also offered one-half pint of milk, one-half of a cup of a vegetable, and three-quarters of a cup of fruit. The sandwich contributes the bread, meat/meat alternate, and part of the fruit/vegetable components of the lunch pattern for group IV. (See app. II.)

[a]The bread is made with bleached, enriched flour.

[b]The vegetables are lettuce, tomatoes (slices will vary by weight), and pickles.

Source: Our analysis of the product's ingredient information provided by Subway and USDA's lunch pattern requirements.

Most Schools Allow Students Access to Snack Foods During Lunch

In most schools, students had access to snack foods from vending machines or other sources, such as school canteens, during the lunch period. About 67 (64 to 69) percent of the cafeteria managers said that their schools sold some type of snack food either a la carte or from a school canteen during lunch. According to the cafeteria managers, the most frequently available items were juice (51 percent); cakes, pastries, and cookies (47 percent); ice cream (44 percent); and fruits (42 percent). Nineteen (17 to 21) percent of the cafeteria managers reported selling some type of snack foods from vending machines during the lunch period. Juice (10 percent), carbonated soft drinks (10 percent), and chips (7 percent) were most frequently cited as being available to students via vending machines.

Table 4.5 shows the types of snack foods available to students through vending machines, through school canteens, and a la carte during lunch.[5]

[5]We did not conduct a nutritional analysis of these food products.

Table 4.5: Percentage of Cafeteria Managers Reporting Availability of Snack Foods in Vending Machines and School Canteens During Lunch

	Sold during lunch			
	A la carte or canteen		In vending machine	
Snack item	Percent	95-percent confidence interval	Percent	95-percent confidence interval
Juice	51	49 to 53	10	9 to 12
Cakes, pastries, cookies, and other bakery goods	47	44 to 49	5	4 to 6
Ice cream	44	42 to 47	1	1 to 2
Fruits	42	40 to 45	0.4	0.1 to 0.7
Chips (e.g., corn, potato)	32	30 to 34	7	6 to 9
Crackers	28	26 to 30	4	3 to 5
Yogurt	19	17 to 20	0.4	0.1 to 0.7
Nuts, seeds	11	9 to 12	3	2 to 4
Candies	7	6 to 8	6	5 to 7
Carbonated soft drink/pop	7	6 to 8	10	8 to 11

Note: We did not assess the availability of sandwiches, salads, pizza, fries, and many other a la carte items.

Survey Methodology

This appendix describes the survey methods we used to (1) determine the extent to which food authorities contracted with food service management companies (FSMCs) in school year 1994-95 and the impact of these companies on the school lunch program, (2) describe the terms and conditions in contracts between food authorities and FSMCs, and (3) determine the extent to which brand-name fast foods and vending machines are used in schools participating in the National School Lunch Program and obtain information on the most frequently used types and brands of these foods.

Extent of FSMCs in Schools and Impact on School Lunch Program

We conducted two surveys—one of the states and the District of Columbia and one of food authorities—to determine the extent of FSMCs' use and their impact on the lunch program.

First, we sent two letters to the agencies responsible for administering the lunch program in each of the 50 states and the District of Columbia asking them to provide us with the names and addresses of (1) all food authorities in the state/District, both public and private, and (2) all food authorities with FSMC contracts in school year 1994-95. All states and the District provided us with both lists. To the extent possible, we eliminated camps and residential child care institutions from these two universes. The final universes included 19,248 and 1,462 food authorities, respectively, and included schools that did not participate in the lunch program. Thus, according to state/District agencies' data, 7.6 percent of the food authorities had FSMC contracts in 1994-95.

We then mailed questionnaires to all 1,462 food authorities identified by state/District agencies as having an FSMC contract and sent up to two follow-up mailings to encourage response. During the collection of the data, we identified 39 food authorities that were residential child care facilities, 5 food authorities that did not have contracts with FSMCs in school year 1994-1995, and 31 food authorities that had no schools in their district participating in the lunch program. Eighty-five percent (1,175) of the remaining 1,387 food authorities returned a completed questionnaire. Our survey results for this group represent only the 1,175 survey respondents that participated in the lunch program and had FSMC contracts.

To compare food authorities that had FSMC contracts with ones that did not, we also surveyed the latter group. For the latter group, we drew a simple random sample of 1,000 food authorities from the universe of

19,248 authorities identified by the 50 states and the District of Columbia. We eliminated from this sample 66 food authorities (6.6 percent of the sample) that were included among the 1,462 food authorities that state/District agencies reported as having contracted with an FSMC in the 1994-95 school year. We mailed questionnaires to the 934 food authorities identified as not having FSMC contracts. Of these, 1.6 percent (15) responded that they were residential child care facilities. The majority, 89.4 percent (835) returned completed questionnaires. Of these, 53 reported that they did not participate in the lunch program, and 17 reported that they had FSMC contracts in school year 1994-95. We did not use data from these 70 questionnaires in our analysis. Therefore, we used the responses from the remaining 765 questionnaires to compare food authorities that had FSMC contracts with those that did not. Our survey results represent an estimated 14,801 food authorities participating in the lunch program that did not contract with FSMCs in school year 1994-95.[1]

Contracts With Food Service Management Companies

To describe the terms and conditions contained in contracts between food authorities and FSMCs, we selected a simple random sample of 82 food authorities from the starting universe of 1,462 food authorities identified by the 50 states and the District of Columbia as having a contract with this type of company. We asked these food authorities to provide us with a copy of their current food service contract and related documents as well as their questionnaire response. In the course of our review, we determined that 11 of the 82 food authorities did not belong in the universe of food authorities with FSMC contracts because they were residential child care institutions, did not have a contract with an FSMC, or were not participating in the lunch program. Of the remaining 71 food authorities in our sample, 68 (95.8 percent) provided us with the contract documents we requested. We used a pro forma data collection instrument to code information on selected terms and conditions in the contracts. The results from our analyses of the contracts can be projected to an estimated 1,212 of the food authorities contracting with food service management companies in school year 1994-95.

Use of Brand-Name Fast Foods and Vending Machines

To determine the extent to which schools use brand-name fast foods in the school lunch program and permit the use of vending machines, we surveyed public school cafeteria managers about their lunch program. We selected a simple random sample of 2,450 schools from the 87,100 schools

[1]We used a conservative statistical approach that required us to generalize our results only to the overall level reflected by our response rate.

listed in the National Center for Education Statistics' Common Core of Data Public School Universe, 1993-94 (Common Core of Data). Schools outside the 50 states and the District of Columbia were excluded from consideration. We sent a questionnaire to the cafeteria manager at each school and made up to two follow-up mailings to encourage response. Eighty percent (1,967) of those surveyed returned a questionnaire. Of these, 4 percent did not participate in the lunch program. We matched the remaining 1,887 survey responses to information about each school in the Common Core of Data. Our survey results for this survey represent an estimated 65,743 of the 81,911 public schools that participated in the lunch program in the 1993-94 school year.

A number of the surveys were completed for the surveyed school's district rather than the individual school. In those cases, we used information from the Common Core of Data to determine the surveyed school's grade level and location. Unless otherwise stated in the survey response, we assumed that districtwide information held for the surveyed school.

Sampling Error

Three of our five data collection strategies relied on statistical sampling, including the survey of food authorities not contracting with food service management companies, the selection of contracts between food authorities and food service management companies, and the survey of cafeteria managers. As with all sample surveys, our statistical estimates that were based on these data collection strategies contain sampling error—the potential error that arises from not collecting data from all food authorities, on all contracts, or from cafeteria managers at all schools. The two data collection strategies not using statistical samples included the state survey concerning the prevalence of FSMC contracts and the survey to all food authorities with FSMC contracts. Those results do not contain sampling error.

We calculated the amount of sampling error for each estimate at the 95-percent confidence level. This means, for example, that if we repeatedly sampled food authorities from the same universe and performed our analysis again, 95 percent of the samples would yield results within the range specified by our survey estimate plus or minus the sampling error. This range is the 95-percent confidence interval. In calculating the sampling errors, we did not make a correction for sampling from a finite population.

The sampling error must also be taken into consideration when interpreting differences between subgroups of interest, such as food authorities that did and did not contract with FSMCs. For each contrast of subgroups that we reported, we calculated the statistical significance of any observed differences. Statistical significance means that the differences we observed between subgroups are larger than would be expected from the sampling error. When this occurs, some phenomenon other than chance is likely to have caused the difference. Statistical significance is absent when an observed difference between two subgroups, plus or minus the sampling error, results in a confidence interval that contains zero. It should be noted, however, that even in the absence of a statistically significant difference, a difference may exist. Instead, the sample size or number of respondents to a question may not have been sufficient to allow us to detect a difference.

We used the chi square goodness of fit statistic to test for differences in percentages between food authorities that did and did not contract with FSMCs, and we used the one-sample t-test for differences in means. We used the chi square test of association to test for differences in percentages between subgroups of cafeteria managers, such as those located in rural versus suburban areas. We used the paired samples t-test to compare responses on two different questions within a questionnaire.

Federal Lunch Pattern Requirements

Food components and items	Group I (ages 1-2/preschool)	Group II (ages 3-4/preschool)	Group III (ages 5-8/grades K-3)	Group IV (ages 9 and older/grades 4-12)	Group V (ages 12 and older/grades 7-12)[a]
Milk. (Fluid whole milk and fluid unflavored low fat milk, skim milk or buttermilk must be offered; flavored fluid milk optional.)	3/4 cup (6 fl. oz.)	3/4 cup (6 fl. oz.)	1/2 pint (8 fl. oz.)	1/2 pint (8 fl. oz.)	1/2 pint (8 fl. oz.)
Vegetable or fruit. (Two or more servings of either vegetables or fruits or both.)	1/2 cup	1/2 cup	1/2 cup	3/4 cup	3/4 cup
Bread or bread alternate. (Servings per week: must be enriched or whole grain. A serving is a slice of bread or equivalent serving of biscuits, rolls, etc., or 1/2 cup of cooked rice, macaroni, noodles, other pasta products, or cereal grains.)	5 per week (minimum of 1/2 per day)	8 per week (minimum of 1 per day)	8 per week (minimum of 1 per day)	8 per week (minimum of 1 per day)	10 per week (minimum of 1 per day)
Meat or meat alternate:					
Lean meat, poultry, or fish	1 oz.	1.5 oz.	1.5 oz.	2 oz.	3 oz.
Cheese.	1 oz.	1.5 oz.	1.5 oz.	2 oz.	3 oz.
Large egg.	1/2	3/4	3/4	1	1-1/2
Cooked dry beans or peas.	1/4 cup	3/8 cup	3/8 cup	1/2 cup	3/4 cup
Peanut butter or other nut or seed butters.	2 tbsp.	3 tbsp.	3 tbsp.	4 tbsp.	6 tbsp.
Peanuts, soy nuts, tree nuts, or seeds[b]	0.50 oz. = 50%	0.75 oz. = 50%	0.75 oz. = 50%	1 oz. = 50%	1.5 oz. = 50%

[a]Recommended quantities.

[b]These items as listed in the program's guidance may be used to meet no more than 50 percent of the requirement and must be used in combination with any of the following: lean meat, poultry, fish, cheese, large egg, cooked dry beans or peas, and peanut butter or other nut or seed butters. A combination of peanuts, soy nuts, tree nuts, or seeds can fulfill the meat/meat alternate requirement: 1 ounce of nuts or seeds equals 1 ounce of cooked lean meat, poultry, or fish.

Source: 7 C.F.R. 210.10(c).

BEST COPY AVAILABLE

Nutritional Content of Four Brand-Name Fast Food Items Per Serving, School Year 1995-96

Nutrients	1/8 slice of a 14-inch Pizza Hut pepperoni pizza	1/8 slice of a 15-inch Domino's pepperoni pizza	7.45 ounce Taco Bell bean burrito	6-inch Subway Club sandwich
Calories (kc)	373.37	376.3	402.3	329
Calcium (mg)	245.35	392.2	146.7	83
Carbohydrates (g)	38.62	39.02	54.83	40
Total fat (g)	14.75	16.48	14.77	9
Saturated fat (g)	7.77	7.784	4.055	3
Cholesterol (mg)	38.45	37.21	7.518	47
Sodium (mg)	983.84	1,110.0	873.4	1,511
Dietary fiber (g)	2.79	2.033	10.72	2
Sugars (g)	3.04	0.8779	2.696	3
Protein (g)	21.87	17.94	14.18	23
Vitamin A (IU)	557.00	561.5	138.8	519
Vitamin C (mg)	0	2.751	3.535	5
Iron (mg)	3.42	3.593	4.045	4
Moisture (g)	69.47	72.32	119.9	[a]
Ash (g)	3.58	3.973	4.474	[a]

Legend

g = grams

IU = international units

kc = kilocalories

mg = milligrams

[a]No information given.

Source: Documents provided by Pizza Hut, Inc.; Domino's Pizza, Inc.; Taco Bell Corp.; and Subway.

BEST COPY AVAILABLE

Major Contributors to This Report

Resources, Community, and Economic Development Division, Washington, D.C.	Thomas E. Slomba, Assistant Director Peter Bramble, Project Leader Carolyn Boyce Andrea Wamstad Brown Rebecca Johnson Carol Herrnstadt Shulman

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

PRINTED ON RECYCLED PAPER